EXHIBIT BB 20

DEIRDRE STRYDOM

JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE

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INDEX: EXHIBIT BB 20

IN THE JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE ("THE COMMISSION")

AFFIDAVIT

I, the undersigned,

DEIRDRE STRYDOM

do hereby make oath and state:

1. I am an adult female and a citizen of the Republic of South Africa.

2. The facts contained in this affidavit are both true and correct, and, unless the context provides otherwise, within my personal knowledge.

3. As is evident from the contents of this affidavit, the events that I deal with span several years and occurred many years ago. There may be aspects of the affidavit where I do not recall the exact dates and/or verbatim what was said at the time. In those circumstances, I give approximate dates and set out events as I remember them to the best of my ability.

4. I was requested by the Commission to submit a statement regarding my involvement in the Manganese Expansion Project (MEP). This affidavit was prepared pursuant to that request. It deals with the procurement, evaluation,

negotiations and award of the following tenders and/or contracts and matters relating thereto:

4.1 Phase 1 of MEP ("Phase 1"); and

4.2 Phase 2 of MEP ("Phase 2").

INTRODUCTION

5. I am an Executive Manager at Transnet. I have a post graduate Masters in Business Administration and I specialize in strategy and capital development, supply chain optimization as well as programme management.

6. I joined Transnet in 1991 in the Corporate Strategy Division and have worked in various corporate and operating divisions within Transnet for most of my career. I have gained extensive experience in strategic management, programme management, business strategy development and performance management, supply chain analytics, and capital planning and execution.

7. My employment history in Transnet as well as the related roles and functional areas are summarized below:

7.1 Executive Manager: Capital Development, Transnet Corporate Strategy and Planning Office (April 2020 to current);

7.2 Executive Manager: Business Enablement, Transnet Group Capital (January 2018 to March 2020);

7.3 Programme Director: Manganese Expansion, Transnet Group Capital (TGC) (November 2014 to December 2017);

7.4 Executive Manager: Strategy and Long Term Planning, Capital Expansion Projects, Transnet Freight Rail (TRF) (October 2011 to November 2014);

7.5 Senior Manager: Strategy and Long Term Planning, TRF (July 2006 to Oct 2011);

7.6 Secondment as Programme Director for EXCO designated TFR Special Projects (2010/11);

7.7 Senior Manager: Strategy and Business Performance, Spoornet (January 2005 – July 2006);

7.8 Secondment to the Transnet Corporate Strategy Office to lead a multi-divisional team tasked with the development of the corporate strategy for the newly appointed Transnet CEO (May 2004 to December 2004);

7.9 Executive Manager: Strategy and Marketing, B2Bafrica, Transnet (July 2001 to April 2004);

7.10 Acting Senior Manager: Strategy, Research and Promotions for GFB, Spoornet (1991-2001);

7.11 Manager: Strategic Marketing, Spoornet (1996 to 1999);

7.12 Assistant Manager: Technology Bureau, Transnet (1994 to 1995);

7.13 Assistant Manager: Planning and Operational Research, Spoornet (1993 to 1994); and

7.14 Researcher: Strategy, Transnet (1991 to 1993).

8. My career at Transnet was briefly interrupted when I joined Andersen Consulting as a Business Consulting Manager in the Supply Chain Management Division from April to June 2001. I was then approached to re-join Transnet to set up a new eBusiness Division.

MANGANESE EXPANSATION PROJECT (MEP)

My role in the MEP

9. I was appointed as an Executive Manager in the TFR Strategy and Long Term Planning Department. My responsibilities included the planning and development of capital expansion projects during Phase 1, and the completion of the pre-feasibility (FEL 2) and feasibility studies (FEL 3) for Phase 2.

10. In this role, I acted as the rail owner's (Transnet's) representative for various expansion initiatives, including the manganese 16 million tons per annum (mtpa) expansion to the Port of Ngqura, the Waterberg coalfields expansion and the Eskom Road to Rail Migration Programme. I was also responsible for t h e

development of minor-capital rail expansion projects as well as the development of the TFR capital pipeline.

11. The position entailed the scoping, development and project lifecycle management of various strategic projects, including the definition of the underlying commercial, operational and technical strategies and the preparation of related business cases and capital committee submissions.

12. In the case of multi-divisional expansion projects such as Phase 1 and Phase 2, Transnet Capital Projects (TCP) would typically be appointed by the operating divisions for the overall project lifecycle management, and I would take accountability for the development and internal approval of the rail scope of work. I played a more prominent role in integrating the rail and port solutions in the MEP given the complexity of the legislative, commercial, operational and technical environments. The bulk of the capital expenditure was (approximately 60 percent) earmarked for the rail solution I had no financial delegation in this role.

13. The MEP Steering Committee comprised, amongst others, Mr Siyabonga Gama ("Gama"), the CE of TFR, Mr Anoj Singh ("Singh"), the GCFO. Following the completion of the Phase 2 feasibility studies, the Steering Committee endorsed the creation of a centralized Programme Director role. This was in line with the newly adopted McKinsey recommended platinum standards for efficient capital management and infrastructure delivery. This was developed by

McKinsey for Transnet during 2011. I was duly appointed as Programme Director.

14. I initially reported to Singh, but was subsequently re-assigned to Mr Mohammed Mahomedy ("Mahomedy") who headed up the Group Capital Integration and Assurance (GCIA) function. Singh created this GCIA function in 2011. The change in my reporting line had no impact on the role, which was essentially to prepare the integrated Transnet business case for the expansion and manage the approvals process in line with the Transnet Delegation of Authority (DoA) Framework. In the case of the MEP, the approving authority was the Department of Public Enterprises (DPE).

15. During this period, McKinsey was involved in scrubbing the business case, excluding Phase 1, defining the role and function of the Programme Director, and defining the capital execution strategy for TCP. The integrated business case included the approved expenditure for Phase 1. It was evident to me that McKinsey was firmly entrenched in GCIA and was acting with Singh's executive authority. I could not (and apparently had no authority to) challenge McKinsey's reporting and recommendations.

16. In May 2014, the then Minister of Public Enterprises Mr Malusi Gigaba approved the business case, which included Phase 1. In hindsight, the speed with which this business case was approved – within two months – is suspicious. In comparison, the Coal-81 Expansion business case was approved by the DPE after two years. I remember at the time that Mr Divyesh

Kalan (GM: Transnet Commercial) mentioned that the MEP business case would be approved quickly because elections were coming up and there were concerns that there would be a change in the cabinet and in particular within DPE. I should also mention that the first payment on the 1064 locomotives was also made before the election for the same reason I suspect.

17. I was tasked with setting up and managing the expansion programme structure, which included the scope, streams, resources, governance and reporting frameworks. I was also required to deliver and maintain the integrity of the approved business case in terms of volumes, costs (capex and opex), tariffs, transformation and economic development objectives as well as maintain the risk profile within acceptable parameters (and taking corrective actions, where required, to deliver the solution within financially sustainable parameters).

18. Contrary to the platinum standard recommendation to centralise all delegations for capital execution within the programme structure, the Transnet operating divisions (ODs) resisted this change. As a result, I had no financial delegation to manage the scope, cost and schedule of the MEP. Accountability for the management of the approved capital resided with the ODs. TCP was appointed by the ODs to execute the respective capital projects on their behalf. This included the management of the transformation and economic development targets approved in the procurement strategy that accompanied the business case. The OD/TCP interface was managed via approved governance frameworks.

19. My reporting line function was changed when I moved to Group Planning as the MEP Programme Director. I reported to Mr Krish Reddy ("K Reddy"), the GM: Group Planning. Group Planning created a similar role as early as 2012 to oversee the planning phases of integrated rail and port expansion programmes.

The motivation for the MEP

20. Following Transnet's investment in 2009 to increase export capacity via the manganese ore terminal in Port Elizabeth (PE) to 5,5 mtpa, it was evident that demand for capacity would continuously exceed supply as a result of the unprecedented growth in manganese exports due to South Africa being viewed as a lucrative supply market to China.

21. The PE terminal's stockyard capacity could not be further increased and Transnet was also under pressure to close the terminal due to environmental concerns.

22. During 2010, Transnet had various engagements with the manganese industry to validate future demand. Thereafter, Transnet conducted the necessary feasibility studies in order to inform the best investment case to expand capacity to 16 mtpa by 2018/19. The 16 mtpa expansion to the Port of Ngqura represented the best available option in terms of completion date to provide capacity ahead of anticipated demand to defend South Africa's position as the leading exporter of manganese ore globally.

23. The 16 mtpa expansion programme was regarded as an anchor programme of the Transnet Market Demand Strategy (MDS), aimed at expanding and modernising the country's ports, rail and pipelines infrastructure to promote economic growth in South Africa. The main pillar of the MDS was a R300bn investment programme. I annex hereto marked **"DS1"** documents in respect of the motivation for the MEP.

24. In May 2014, Transnet received approval in accordance with the Public Finance Management Act (PFMA) to proceed with the investment underwriting the expansion of rail and port capacity to grow manganese exports to 16 mtpa via the Port of Ngqura. I annex hereto marked **"DS2"** the approval from then Minister Gigaba.

25. Transnet was exercising its developmental and commercial mandate, through the MDS, by providing rail and port capacity ahead of demand for the manganese industry and to specifically support the development of the emerging mining sector in this area.

26. The decision to expand via the Port of Ngqura was partly informed by the environmental authorization process and socio-economic factors. There was an overwhelming socio-economic case for supporting economic activity in the Eastern Cape.

The various project phases

27. Transnet developed and implemented the Project Lifecycle Process (PLP) in order to continuously and systematically improve the levels of consistency in the approach to the preparation and management of capital investment projects and thereby the reliability of the results achieved. The PLP therefore provided a standardised, generic methodology in capital project execution. The concept of Front-End Loading (FEL) phases is key to the successful implementation and execution of projects. The term is commonly used to illustrate the value and opportunity that may be realised by doing upfront work in the early study phases of the project lifecycle to reduce risk when there is still the potential to influence the successful outcome of the project.

28. The following project phases are commonly used in the project terminology:

28.1 FEL-1: a conceptual study in which the broad business concept is tested and a number of options are generated to implement the requirement.

28.2 FEL-2: a pre-feasibility study in which the options are evaluated. A preferred option is prioritised, selected and the viability of the project is more rigorously tested.

28.3 FEL-3: a feasibility study in which the selected option is more fully defined and its viability confirmed. The project to deliver the solution is defined in terms of cost, schedule, scope and other required disciplines.

28.4 FEL-4: execution, in which the final design is completed and the capital investment is made and the project is executed to deliver the defined outcomes in line with the scope, schedule, cost, quality and other defined parameters.

28.5 Close-out: the closing and evaluation process to terminate the PLP project phase and to ensure all deliverables are handed over in line with owner requirements. Estimating capital requirements 30 years into the future requires clarification and standardisation to enable consistent application of principles.

Platinum Standard for Capital Execution

29. Transnet set high expectations for volume growth and impact on South Africa's socio-economic position with its MDS. This meant that Transnet's capital portfolio had many risks that had to be mitigated throughout. At that stage the risks associated with poor execution of capital projects / programmes could negatively affect volumes and cash available for investment. As a result, the capital portfolio was re-organised to ensure proper linkages to business outcomes.

30. To address the risks, a new approach to capital project / programme structuring was launched through GCIA. The Capital Excellence Programme (CEP) aimed to create full transparency of the capital portfolio, thus ensuring that capital projects and programmes are optimised and aligned to each other and that

these projects and programmes deliver the expected business and financial outcomes in line with Transnet's strategic objectives. The CEP was based on the Platinum Standard for Capital Execution developed by McKinsey for GCIA.

PHASE 1 OF THE MEP

31. Phase 1 was managed by TCP. I was the TFR owner's representative on the project. I had no commercial delegation related to capital or procurement approvals. My insight into Phase 1 was based on feedback via the TCP reporting structure.

32. During 2011, Hatch Goba ("Hatch") was appointed by TCP (on behalf of the ODs) via a task order under the Hatch Mott McDonald Goba contract to

conduct the FEL 2 and 3 rail and port studies supporting the MEP. Most of the outputs for the studies were concluded towards the end of 2012.

33. Given the materiality of the estimated cost of the expansion and the requirements to spend further time on scrubbing the overall cost and schedule, a decision was taken by the Transnet Capital Investment Committee towards the end of 2012 to support the ring-fencing and acceleration of critical rail operational and safety related work packages where environmental authorisations had been received. The project was named Rail Phase 1 or MEP 1 (Phase 1).

34. Following an internal risk review, TCP proceeded with a motivation to confine the Engineering Procurement and Construction Management (EPCM) scope of the FEL 4 phase of Phase 1 to Hatch. The request to confine was submitted and approved in line with the Transnet DoA Framework.

35. Since the value of the transaction was below R250m, final approval of the confinement resided with Mr Brian Molefe ("Molefe"), the then GCE. Mr Rudie Basson ("Basson"), TCP: GM, told me that the ETC value was reduced to fit in with the GCE's delegated authority. i.e. within Molefe's monetary mandate. This meant that he had the delegated authority to authorise the expenditure without approval required from the Board Acquisitions and Disposals Committee. I annex hereto marked **"DS3"** the approval of the confinement of Phase 1 to Hatch with an approved contract value of R220 million as well as **"DS4"** the delegation of authority that was applicable at the time."

36. The confinement was structured as a fixed-cost contract with specific (and very high) supplier development (SD) targets to be achieved by Hatch. Singh increased the SD targets further during the approval process. I know this because I had to get Gama to sign the approval, and at that stage the SD value was 40%. The final value for SD that was submitted to Molefe for final approval was 50%. I refer in this regard to annexure **"DS5"** reflecting the SD value as 40%. However, the final approval (DS3) has an approved SD value of 50%.

37. In late July 2013, when the contract negotiations to conclude the final price for the confined Phase 1 EPCM services were in progress, I attended a meeting with Basson and Mr Henk Bester ("Bester"), the Hatch Project Director. The meeting had been called by Bester.

37.1 At the meeting, Bester explained that he had been approached by persons including Mr Dave Reddy ("Reddy") who was adamant that his company be appointed as the SD partner on Phase 1. (At this time, I did not know Reddy and met him for the first time at a client function hosted by Hatch in June 2014. I cannot recall the name of the other person.

37.2 According to Bester, Reddy claimed to have ties with "*Number 1*" and people high up in Transnet, and to know everything about the project. Bester went on to advise that after the meeting with Reddy, Hatch had received an MOU from Reddy, which it was concerned about signing.

37.3 In response, Basson mentioned that him and Gerhard Bierman ("Bierman"), the Chief Financial Officer for Transnet Capital Projects at the time, had told Singh previously that Transnet could not dictate to Hatch who it should use as an SD partner. Singh had wanted to include a confinement approval condition to the effect that Reddy's company should form part of the SD component of Phase 1, but after Basson and Bierman had the discussion with Singh this issue was dropped. Basson said he was surprised that Reddy would approach Hatch directly because he (Basson) considered the matter closed.

37.4 The meeting concluded on the basis that Hatch should not enter into the MOU. In so advising, I suspected that corruption was at play and that this was why the SD target had been set so high (something which had always concerned me).

38. During the evening of 6 August 2013, I received a telephone call from Bester. He advised me that after the meeting described above, Basson had requested Hatch to sign the MOU; that Hatch had signed a version that it had amended; and that Hatch was now being required to sign an addendum to it, against the thinly veiled threat (by Reddy) of the confinement otherwise not being approved by Transnet (approval being required by both Singh and Molefe).

39. On 7 August 2013, I met with Bester and Mr Alan Grey ("Grey"), the MD of Hatch, at Woodmead. During the course of the meeting, they mentioned to me that they had signed the revised MOU and were now being required to signed

an addendum. I now understood that (Reddy and another entity had formed a JV and that Hatch had entered into a MOU with it, which amounted to little more than a cooperation agreement (as per Hatch's amendments). I now also understood that, in terms of addendum that Hatch was being required to sign, the JV was to be appointed by Hatch as its primary SD partner on Phase 1.

40. Given my concerns – particularly in relation to Basson's request that Hatch sign the MOU after our meeting in late July – I discussed the matter with Johan Bouwer ("Bouwer"), Executive Manager: Finance in TFR responsible for governance associated with Capital Management. I trusted his judgment particularly on matters of governance. Based on his advice I decided to escalate the matter to my line manager, Ms Cleopatra Shiceka ("Shiceka"), the GM: Planning, and General Counsel at TFR. This resulted in Bester, Grey and I meeting with Shiceka at the Carlton Centre later on 7 August 2013. During the meeting, Shiceka was provided with a full briefing. She took a photograph of the addendum, and assured Hatch that she would investigate the matter.

41. I later informed Bester that the matter was elevated to Singh and the matter was considered closed and that no further action was to be taken.

42. Another perplexing issue relates to the involvement of Garry Pita ("Pita"), the Group Chief Supply Chain Officer. For some reason, he personally led the Phase 1 negotiations, which was unusual because all procurement in respect of major projects, and specifically specialised Engineering Procurement & Construction Management ('EPCM') contracts were done through TCP's

internal procurement department and not Transnet Group. Furthermore, Bester complained to me that Pita had treated them aggressively during the negotiation sessions.

43. I am not privy to the details of the other SD companies on Phase 1 but was told by Basson that MMQS was one of the preferred SD partners. At one point during the Phase 2 procurement process, Basson told me that Mr Herbert Msagala ("Msagala"), the CE of TCP, told him to instruct the H2N JV (see below) to appoint MMQS as one of its SD partners. Basson advised Msagala that was not appropriate. I do not have any personal knowledge of what transpired with MMQS thereafter.

44. To complete the chronology of events, on 21 November 2013, Molefe approved the award of the confinement of Phase 1 to Hatch. The relevant memorandum is annexure **"DS6"** hereto. Phase 1 was one of the most successfully executed projects and it was executed within budget.

PHASE 2 OF THE MEP

Period up to award of Phase 2 (January to November 2014)

45. Subsequent to the award of Phase 1 to Hatch, the FEL3 studies for the overall scope were completed and I lead the development of an integrated business case on behalf of the ODs. Due to concerns with the calculation of escalations and contingencies, the Phase 2 scope items were submitted to the first mega programme project scrubbing by GCIA, headed by Mahomedy.

46. McKinsey and Regiments were appointed by GCIA to assist with the scrubbing based on the development and implementation of various platinum standards business processes initiated in 2012. The scrubbing work was predominantly done by McKinsey personnel with limited involvement from the GCIA team. McKinsey, headed by Mr Prakash Parbhoo ("Parbhoo"), was also involved in the completion of the MEP business case. This was, in my opinion, outside the scope of the project scrubbing but was explained away by Singh and Mahomedy under the pretext of establishing the Platinum Standard for Capital Execution. It was clear to us as the Transnet team (or at the very least to me) that McKinsey was in charge of the business case development process and that McKinsey was acting with the GCFO's mandate.

47. McKinsey's specific focus areas included the development of the execution strategies, strategic sourcing and procurement strategies, supplier development strategies and most importantly, contracting strategies for Phase 2.

48. Concurrent with the accelerated PFMA approval of the MEP business case (received within two months after submission to DPE), TCP approached the market for the execution of the Phase 2 rail and port EPCM (FEL3b and 4) contracts. In hindsight, and based on the public information related to the 1064 locomotive programme, DPE's role in accelerating approvals should be questioned.

49. Both contracts had an estimated value of approximately R700m to R1.0bn respectively. To ensure transparency in the tender process, extracts from the

FEL 3 documents were shared with all potential bidders and discussed at the tender briefing sessions. The tender process was managed as an audited high value tender (HVT).

50. Due to the onerous SD (45 percent and an additional 30 percent of the contract value had to be subcontracted to small business) and performance bond requirements put forward in the business case as advised by McKinsey, it was expected that no company on its own would have the financial backing to meet the tender requirements. Bidders were required to commit that, in respect of the SD component, 45% of the contract value to be assigned towards SD. In addition, 30% of the contract value to be subcontracted to small businesses (i.e. Exempted Micro Enterprises (EME), Qualifying Small Enterprises (QSE), start-ups and/or large significant black owned enterprises), all being preferably black owned, black women owned or people with disability owned. I annex hereto marked **"DS7"** the tender data reflecting the aforementioned.

51. Following various complaints by potential bidders to the shareholder, the bond requirements were reduced. Notwithstanding the reduction, larger EPCMs had to form JVs and include smaller EPCM companies in their structures.

52. During September or October 2014, TCP established an integrated tender evaluation team and significant planning went into the contract negotiation preparation and training, which was managed by McKinsey. In effect McKinsey had the veto right on various business decisions, some of which were in conflict with the TCP team recommendations.

53. The Hatch, Aurecon, Mott McDonald and Siyathuta JV ("H2N") and Fluor, Aecom and Gibb JV ("FLAG") were identified as the preferred bidders for both the Rail Phase 2 and Port Phase 2 scope EPCM contracts. Both parties were advised that they would be in contention for both contracts depending on the outcome of the contract negotiation process.

54. Ms Corli van Rensburg ("Van Rensburg") of TCP was appointed to lead the negotiations supported by the TCP project director, Mr Velile Sikhosana ("Sikhosana") and Mr Edward Thomas ("Thomas"), Transnet Group Supply Chain Manager. The negotiation process and venue were set up to accommodate a back office for the McKinsey team to allow them to have real-time access to the proceedings in the negotiation venue. The intention was to debrief with the negotiation team and Steering Committee at the close of negotiations on a daily basis and agree on the strategies to be introduced the following day. The negotiation steering committee comprised of Singh, Pita, Msagala and Mahomedy.

55. The negotiations commenced during October or November 2014. At some point during the negotiations, Bester informed me about a meeting he had held with Reddy and Mr Salim Essa ("Essa") at a local restaurant, at Reddy's insistence. According to Bester, at the meeting, Essa spoke of him and Singh having a lot of power; mentioned that he had access to all tenders; insisted on H2N including designated Phase 2 tender submission; and proposed that H2N pay a

bribe of R80m in order to secure the contract. (Bester did not go into detail about how the bribe was to be paid

56. On the issue on the bribe, as experience has shown, it is possible to create a surplus of R80m on a project of this nature either by increasing the contract value during negotiations (after award) or by increasing the delegated contract value internally. The increase could then be paid out to the SD partner. Significantly, Pita and Singh were in control of the approval of the contract value. I annex hereto marked **"DS8"** depicting the increase in value of the port scope. There was no increase in respect of the rail scope in fact there was a decrease.

57. Two other aspects of my interaction with Bester around this time warrant mention. The first is I also have some recollection of Bester telling me about a meeting he held with Essa at which Singh was also present, but I cannot recall the detail. The second is that Bester informed me that Sikhosana told him that he will 'f…' him up, and that he must be careful as he is dealing with powerful people in Transnet.

58. From an overall perspective, it was evident at that stage that a large network was involved inside and outside of Transnet (including McKinsey) to improperly secure tenders to the benefit of a few.

59. The members of H2N were required to (a) identify sub-contractors that they could develop as part of stringent SD targets and (b) accept that they would be

liable for the SD and performance bonds as part of the overall EPCM contracts. If Transnet wanted to dictate who H2N should partner with as an SD partner, it should have expressed this in an open and transparent process as opposed to improper deals being proposed outside the official procurement process.

Period beyond award (December 2014 to- cancellation of project)

60. The contract negotiations in respect of both Phase 2 rail and Phase 2 port concluded in early December 2014. H2N was identified as the successful bidder for Phase rail scope, and FLAG as the successful bidder for Phase 2 port scope. The award of the Phase 2 port scope to FLAG at an amount of approximately R200m more than the H2N bid for port was highly suspicious, and in direct conflict with the project scrubbing process where the focus was to reduce capital estimates across all work packages.

61. In an internal Transnet project meeting where I was present and attended by Pita, Mahomedy and Parbhoo amongst others, a case was put forward and subsequently approved to award the Phase 2 port scope to FLAG at the higher price as a business risk mitigation. Van Rensburg and myself were against this as it was not consistent with Transnet procurement processes

62. McKinsey remained involved in the conclusion of the contract documentation despite the terms having already been agreed with the successful bidders.

Singh continued to provide McKinsey with opportunities to constantly review the contracts much to the frustration of the TCP team.

63. The last changes that McKinsey unilaterally introduced to the contract resulted in both the EPCMs refusing to sign the contracts exposing Transnet to potential future litigation. Transnet was locked in various arbitration processes with FLAG during this period.

Cancellation of the contracts

64. Prevailing market conditions in addition to Transnet's increasing capital affordability constraints resulted in a Transnet decision to suspend the MEP and terminate the EPCM contracts in March 2017 for reasons specifically stated in the contract. Transnet was in a dire financial situation at that time and the manganese ore price bottomed out to the extent that customers questioned the viability of the expansion.

65. I had taken over the MEP at that stage following major restructuring that lead to the removal of Msagala and the appointment of K Reddy as head of TCP. He re-assigned Sikhosana to other projects given the acrimonious relationship between that had developed between Sikhosana and the JVs.

66. Notwithstanding an intensive capital optimisation exercise jointly executed with the respective JVs, a decision was taken to put the expansion on hold and terminate the rail and port EPCM contracts. Phase 1 was managed as a separate contract and construction was nearing completion at that stage. It was

therefore decided to continue with the completion of Phase 1 as Transnet directly benefited from revenue generated by the additional manganese export volumes.

67. I personally managed the cancellation of the contracts together with Ms Andra du Toit from the TCP Legal department. We had no legal disputes as a result of the contract cancellation.

68. At some point during this process Shiceka approached me to enquire about the status of the FLAG contract. At the time, early 2017, Shiceka was a newly appointed non-executive director of Fluor.

REPORTING IRREGULARITIES

69. Towards the end of 2014, I reported my suspicions of fraud and procurement irregularities in respect of Phase 1 and Phase 2 to Mr Bramley May ("May"), TFR head of forensic investigations at the time. I was interviewed by him at the offices of TFR lawyers in Oxford Road, Rosebank for over five hours. He gave me no feedback and I am unaware of any investigations being undertaken by him. When May was asked by the TGC forensics department in 2018 for a copy of the tape recording of my interview and specifically what he did about my report, May indicated that he destroyed it as he felt it was not relevant as it was not a TFR matter.

70. Further to me having raised this with K Reddy, he immediately referred the matter for investigation to the Specialised Investigating Unit (SIU). I am unaware of the status of the SIU investigation.

DEIRDRE STRYDOM

The deponent has acknowledged that she knows and understands the contents of this affidavit, which was signed and sworn to before me at SUNNINGHILL on this the 9TH DAY of OCTOBER 2020, the regulations contained in Government Notice No R1258 of 21 July 1972, as amended, and Government Notice No R1648 of 19 August 1977, as amended, having been complied with.

COMMISSIONER OF OATHS

BRUCE ANDRE BARKHUIZEN
Ex Officio Commissioner of Oaths
Attorney of the Republic of South Africa
Kruisement Farm, Leslie, Mpumalanga, RSA
Date: 09/10/2020

"DS1"

CONFIDENTIAL AND PRIVILEGED

DRAFT MINUTES OF THE MEETING OF THE BOARD ACQUISITIONS AND DISPOSALS COMMITTEE NO.13/01 HELD ON 29 JANUARY 2013 AT 12:40 IN ROOM 723, 1ST FLOOR, THE JUNCTION, MODDERFRONTEIN ROAD, ESSELENPARK, KEMPTON PARK

Resolution No/
For Attention

1 CONSTITUTION OF MEETING

1.1 Present

Mr IM Sharma	Chairman
Ms Y Forbes	Member
Mr ME Mkwanazi	Member
Ms DLJ Tshepe	Member

1.2 In Attendance

Ms NP Mnxasana	Non-Executive Director
Mr B Molefe	Group Chief Executive
Mr A Singh	Group Chief Financial Officer
Ms NJ Mabandla	Group Executive: Group Legal Services
Ms P Difeto	General Manager: Office of the Group Chief Executive
Mr G Pita	Group Chief Supply Chain Officer
Ms N Khumalo	Deputy Group Company Secretary

1.3 Apologies

Ms NR Njeke	Member

1.4 Partial attendance

Mr P Parbhoo	McKinsey Consulting
Mr SI Gama	Chief Executive: Transnet Freight Rail
Mr T Jiyane	Executive Manager: Supply Chain Services, TFR
Ms D Strydom	Executive Manager: Capital Planning and Governance, TFR
Mr R Basson	General Manager: Project Execution, TCP
Mr K Phihlela	Group Executive: Commercial
Mr J Mackay	PSP Transaction Advisor: Commercial

1.5 Welcoming and Signing of Attendance Register

The Chairman welcomed all members and attendees present at the meeting and wished them well for the year ahead. He welcomed Ms NP Mnxasana to her inaugural meeting. Having noted that there was a quorum, the Chairman declared the meeting duly constituted. The Attendance Register was circulated for signature. The Chairman noted apologies from Ms Njeke.

1.6 Adoption of Agenda

The agenda was adopted as tabled.

Resolution No/
For Attention

5.1 **Manganese Rail Expansion Project**

Messrs Gama, Jiyane, Basson and Ms Strydom joined the meeting at 13:33

5.1.1 Management took the Committee through the submission as contained in the pack. The submission was taken as read. The project was tabled as a prelude to the main project that will be submitted to the Committee in the latter part of the calendar year.

5.1.2 Management informed the Committee that the project has been split into rail and port focus areas. It was envisaged that the new port will be operational by 2017. It will be implemented in two phases. The Chairman was of the view that the project should have been planned in an integrated manner by the port and rail teams, and presented as a joint project. The Committee sought comfort on the fulfilment of the dependencies. Ms Forbes

Resolution No/ For Attention

advised that she would prefer to have a project that will clearly articulate the plan; calculations, focus areas, implementation and monitoring.

5.1.3 Management provided assurance on the aspects covered in the phase two of the project. The rail and port teams have taken care of all the dependencies and will be in a position to present the sequencing thereof. Whilst TNPA was busy with the business case, an external service provider was dealing with the identification of possible flaws and the required approvals, amongst others, the environmental approvals.

5.1.4 The Chairman enquired if the pricing structure was modelled against elasticity and advised that stockpiles are but one example of a factor that can create challenges. He further sought clarity on the plan for the price; if it will be a pass-through to the customers and if it will be across the board or proportionate between the junior and major miners. Management assured the Committee of the processes that have been undertaken in the identification of junior miners utilised price determination methods and the objectives that the Company was aiming to achieve within the project. The project has a break-even tariff of R275/t which is set below the threshold "affordable" tariff of approximately R311/t to support the development of emerging miners.

5.1.5 Management informed the Committee that the limited stockpile space at the Port of Ngqura was a concern as the envisaged common user facility is estimated to create 4mtpa capacity of the 16mtpa allocation. The compilation yard is next to the terminal. A 200 wagon train in Mamatwane will be R79 per ton on the new operating model compared to the current R180 per ton. There will be significant costs savings for miners. Management informed the Committee of the environmental considerations and the need to vacate the Port of Port Elizabeth due to the fact that the facility has exceeded its useful life. Mr Mkwanazi informed the Committee that the Company was supposed to vacate the Port of Port Elizabeth on a certain date, and TNPA has the responsibility to build the terminal for the manganese transportation process regardless of the port terminal operator. The project will support other growth plans. The rail business case will be completed by 31 March 2013.

Phase 2 of the project is not interlinked with the approval of the investment submission tabled before the Committee. Management will submit a comprehensive proposal for the Committee's consideration in relation to phase two in May 2013.

5.1.6 Management assured the Committee that the delays relating to the non-appointment of the port operator, late commencement of the FEL3 stage and the lead-times for shiploads will not adversely impact on the proposed investment.

The Committee ***agreed*** on the format for the submission of integrated projects. The submission:

- should detail all the dependencies linked to the project;
- should indicate that such dependencies have been addressed; and
- the affected ODs/SUs should provide undertaking that all aspects of the project are in sync.

Failure to comply will disqualify the project from being considered by the Committee.

RESOLVED that the Committee recommended that the Board approves the Manganese Rail Expansion programme from 5.5mtpa to 16mtpa at an estimated cost of R2.4bn (escalated) for an initial *"no regrets"* investment. 13/1/1

Ms Strydom and Mr Basson were excused from the meeting at 14:47

Resolution No/
For Attention

10 **BOARD ACQUISITIONS AND DISPOSALS COMMITTEE MANDATE**

10.1 The Committee noted the Board Acquisitions and Disposals Committee mandate as contained in the pack.

11 **CLOSE**

There being no further business to conduct, the Chairman declared the meeting closed at 16:55.

CHAIRMAN
DATE: 11/03/2013

DEPUTY GROUP COMPANY SECRETARY
DATE: 11/03/2013

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Registration Number
1990/000900/30

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TRANSNET

MEMORANDUM

www.transnet.net

TO: Board Acquisition and Disposal Committee

FROM: Mr. Brian Molefe: Group Chief Executive

DATE: 11 January 2013

SUBJECT: **APPROVAL TO FUND THE INITIAL 'NO-REGRETS' RAIL INVESTMENT REQUIRED TO INCREASE MANGANESE EXPORTS FROM 5.5 TO 16Mtpa FROM THE NORTHERN CAPE TO THE PORT OF NGQURA**

PURPOSE:

1. The aim of this submission is for the Transnet EXCO to recommend to the Transnet Board Acquisition and Disposal Committee the capital estimated at **R2.38 billion** (escalated) for an initial 'No-regrets' rail infrastructure investment in support of the overall Manganese ore expansion programme from 5.5 to 16Mtpa.

BACKGROUND:

2. Currently, a total of 6.9Mtpa of Manganese ore is exported from South Africa through Port Elizabeth (~4.8Mtpa – rail only), Durban (~1.8Mtpa – rail and road) and Richards Bay (~0.3Mtpa -road). Transnet has announced the closure of the PE terminal approximately in 2017 due to environmental concerns.

3. South Africa as a major supplier is well positioned to capture growth in the manganese industry. SA currently exports ~20% of the world's contestable manganese, holds 80% of known world high grade resources. With an investment up to 16m tons per annum, RSA can be positioned as the global leader in manganese production.

4. Demand for manganese is strongly tied to demand for steel with more than 90% of manganese used directly in steel production. Assuming a 30% market share is possible, up from the current 20%; it implies a total demand for *South African ore* of ~16Mtpa.

5. Several mining projects in South Africa are currently in development to meet this increase in demand but these could fail if an integrated rail and port solution is not provided timeously. Notwithstanding the environmental challenges in Port Elizabeth, the stockpile footprint in the terminal constrains any further expansion beyond 5.5Mtpa necessitating the move to Ngqura.

6. Transnet has committed to the expansion of channel capacity for manganese exports to support an annual throughput of 16Mt and have conducted the necessary feasibility studies.

2013/01/17

7. The scope of the manganese expansion programme from 5.5 to 16Mtpa comprises the upgrade and expansion of the rail network between the Northern Cape and Ngqura with additional rolling stock, as well as the provision of a new bulk minerals export terminal in the Port of Ngqura. The Rail and port investments are prepared as separate business cases, supported by an integrated financial model to assess the overall economic viability of the project.

8. The estimated total capital required for the rail infrastructure investments to provide capacity of 16Mpa is **R10.52 billion** in escalated terms and is supported by parallel investments to the escalated value of **R8.711 billion** in the locomotives and wagons rolling stock, funded separately through the approved Rolling Stock Fleet Plans. Funding for this is budgeted in the MDS Capital Investment plan of TFR.

9. The Manganese expansion project is committed to ultimately provide 16Mpta of export capacity by April 2019, with an initial 8Mtpa available by April 2017 when the new terminal in Ngqura is expected to be commissioned. Various critical milestones impact these dates:

   9.1. The timeous appointment of the port terminal operator through a 'public' Section 56 process as required by the National Ports Act

   9.2. Timeous approval of the rail and port investments

   9.3. The construction, commissioning and operationalisation of the port terminal

   9.4. Requisite environmental approvals for all rail and port work packages

   9.5. The duration of the rail construction programme, currently estimated to be a four year programme, compared to the three year port construction programme

10. The separation of the rail infrastructure programme into a 'No-regrets' and Full Expansion is required to fast track work packages that are on the critical path to meet the committed channel commissioning date[1] whilst awaiting regulatory approvals (terminal operator and environmental). To this end, the rail construction programme is separated into work packages that can commence immediately and that will have a quantifiable benefit to Transnet – 'No-regrets'. The estimated cost of the No-regrets investment is R 2.38 billion.

11. The 'No-regrets' investment is required even if the integrated investment case for manganese were not to proceed. This is because it supports other commodities and is viable on a standalone basis; and will deliver 8m tons of manganese exports via Ngqura.

12. Work packages included in the 'No-regrets' investment are limited to the partial re-instatement of the double line section (132km of a total of 243km) between Kimberley and De Aar, and the extension of the Rosmead passing loop. These work packages have existing environmental authorisations as they were submitted for capital approval, and subsequently de-scoped in previous Manganese business cases (Manganese 12Mtpa expansion: 2008 and Manganese 5.5Mtpa: 2010).

13. The environmental authorisation for the remaining work packages to support the full expansion is expected by October 2013.

[1] The port programme benefits from the utilisation of existing berths in Ngqura.

14. The business case for the remaining capital estimated at **R8.139 billion** (escalated) to expand the rail network to the full 16Mtpa would subsequently be submitted for approval during March 2013.

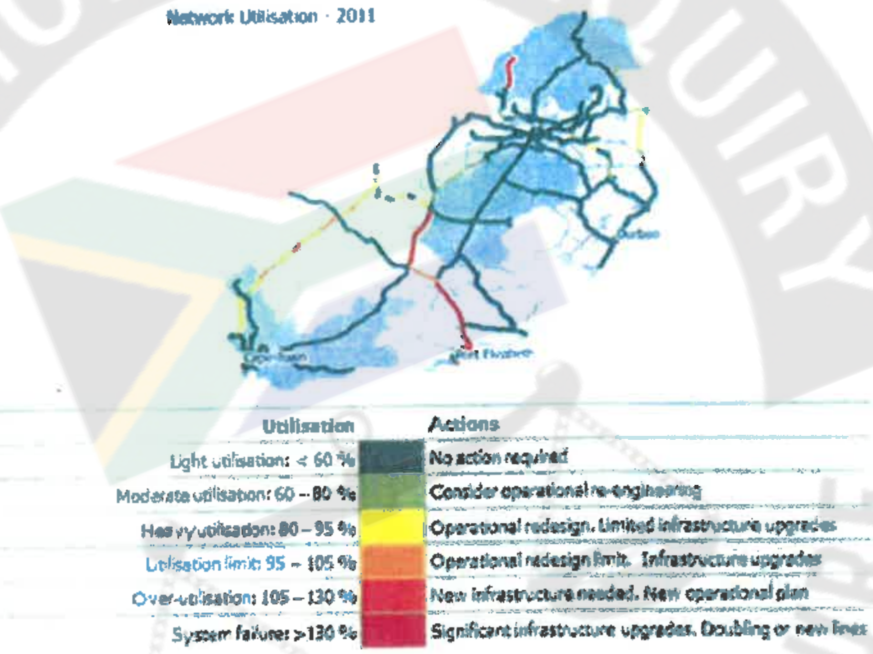
PROJECT MOTIVATION:

15. The supporting project motivation outlines the benefits of the "No-regrets" investment in support of the overall Manganese expansion programme.

16. Fast tracking of the re-instatement of 132 km between Kimberley and De Aar will deliver the following benefits:

16.1. Capacity utilisation: The Kimberley – De Aar line - classified as a "Heavy Congestion" section in the Transnet Long Term Planning Framework - is regarded a one of the critical bottlenecks in the general freight network with average utilisation above 105% of installed capacity.

Figure 1: LTPF Utilisation (2011)



16.2. Improved operational utilisation and re-instatement of mothballed capacity: The 243km second line between Kimberley and De Aar was partly decommissioned in 1997 resulting in the retention of only 19km of passing loops. This reduced the capacity of the line and increased the operational risk associated with long single line sections in this strategic corridor.

16.3. Operational stability: The section is currently faced with various operational challenges associated with limited passing loops, balancing of rolling stock in the section, and the accommodation of various long distance passenger trains to the Western and Eastern Cape at higher speeds. The current operating environment impacts TFR's ability to adhere to the fixed train schedule for this section and results in a loss of operational capacity. Re-instatement of 132km will significantly stabilise operations of all traffic, but specifically current manganese volumes. Capacity will increase by ~100% from 78 to 150 train slots per week.

16.4. Operational flexibility: The current line has 13 loops (19km total length) and long single line sections. In the event of an incident (operational or network related) or planned/unplanned maintenance events the line is effectively closed as no/ limited trains can cross. Any major operational disruption can potentially be disastrous given the strategic importance of the line. Additional long crossing loops will provide redundancy to improve operational throughput and network utilisation.

16.5. Supporting volume growth:

- Manganese: The capacity created by the 'No-regrets" investments will sustain current volumes of ~5.5Mtpa through PE and will provide additional capacity of some 2Mtpa through combined break-bulk and container solutions making use of the PE Multi-purpose terminal and PE/Ngqura container terminals. Maintaining exports at ~7.5Mtpa will protect South African producers' market share and SA's ability to capture and retain available market growth.
- Other GF traffic: In the event of the Manganese expansion not proceeding beyond 5.5mtpa, general freight volume growth[2] will be supported by this investment, namely containers; automotive; grain/wheat/maize; and domestic intermodal traffic. The GF commodity types and indicative additional volume that can be accommodated are summarized in Table 1 below. The additional 4.6Mtpa that can be accommodated fully supports the TFR MDS volume ramp-up for traffic routed over this section.

Table 1: No-regrets: GF Volume growth

Commodity	Annual additional capacity
Passengers (Long distance)	N/A
Manganese (current through put at 5.5Mtpa through PE) plus bridging capacity through PE MPT and container terminals	1 000 000
Containers deep-sea	1 232 000
Grain/wheat/maize/barley	720 000
GF (Cement, coal other)	1 080 000
Road-to-rail domestic traffic (Containers domestic)	600 000
Maintenance and Recovery slots in line with Scheduled	Provided in line with best practice

[2] GF train lengths average 50 wagons per train. Throughput per trains slot for GF is therefore less when compared with Manganese trains averaging 200 wagons per train slot.

Railway principles		maintenance standards
Total	X	**4 632 000**

The Rosmead loop extension will have the following benefits:

16.6. Safety Imperatives: The current operation of book-off working without a 104-wagon crossing loop at Rosmead poses significant safety risks, as any unavailability of train crew to re-man a Manganese train on arrival results in the requirement to stage the train at the nearest long loop at Evendowns. If a train crew were to stage a loaded manganese train with inadequate handbrakes or someone released handbrakes on a staged load, TFR could have a serious runaway situation.

16.7. Rolling Stock Turnaround and Potential Lost Volume: Staging of trains leads to delays in transit – results in longer turnaround times for locomotives and wagons.

16.8. Overtime: The time taken to stage and re-activate trains is unplanned waste in terms of delivery of service to customers.

RAIL INFRASTRUCTURE INVESTMENTS:

17. The 'No Regrets' Investment is limited to the partial re-instatement at 26 tons per axle (132km) of the second line between Kimberley and De Aar and the extension of the Rosmead passing loop.

FINANCIAL IMPLICATIONS:

18. The cash flows for the 'No-regrets' investment is summarised in Table 2, below.

19.

Table 2: Rail Infrastructure Cash Flows: No-regrets

Rm	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
No-regrets	0	251	1.094	974	65	0	0	0	2.383

20. The preliminary cash flows for the overall TFR investment is summarised in Table 3, below:

Table 3: Rail Project Cash Flows (Preliminary)

Rm	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
No-regrets	0	251	1.094	974	65	0	0	0	2.383
Phase 2 Infra[3]	58	261	2.231	3.871	2.759	1,136	207	0	8.139

[3] *Phase 2 submission: March 2012*

Rolling Stock[4]	20	341	322	1.336	2.098	2.548	1.449	98	8.711
Total Rail Project	78	602	3 053	5.207	4.857	3.684	1.656	98	19.234

PRELIMINARY ECONOMIC EVALUATION OF THE MANGANESE EXPANSION[5]

21. The 'No-regrets' investment was evaluated as part of the overall Manganese business case and is not supported by a standalone financial model.

22. The preliminary financial results of the combined project (rail and port) has a baseline NPV of R17.2 billion with a capital investment of R27.6 billion, assuming a tariff of R367/t based on the current tariff charged. This yields an IRR of 17.8 percent which is marginally less than the hurdle rate of 18.2 percent.

23. The project has a breakeven tariff of R275/t in today's terms, which is far below the current tariff (R367/t) and below the threshold 'affordable' tariff of some R311/t to ensure the development of emerging miners.

PROCUREMENT STRATEGY

24. As a Strategic Expansion Project, the Manganese expansion presents various opportunities during the construction and operational phases for transformation, small business development, skills development, job creation, and localization to support government policies, namely, the Competitive Supplier Development Program (CSDP) and the New Growth Path (NGP).

25. The detailed procurement package plan is attached and outlines the respective work packages to be delivered against project milestones and the requisite supplier development targets. Packages are summarised according to Construction Contracts; Consultant Services Contracts; Piping Supply Contracts; Mechanical Equipment Supply Contracts; Electrical Equipment Contracts; Instrumentation Equipment Contracts; Site Infrastructure Contracts; Turnkey Contracts; Rail Supply Contracts and EPCM and Owners Costs.

26. Supplier development targets have been prepared per category and are based on a preliminary market capability assessment with the majority of the capability falling in the small to medium range. Contracts for supplier development have been assigned with preliminary procurement targets.

JOB CREATION TARGETS

27. The number of direct and indirect jobs for the 'No-regrets" investments are outlined in Table 4.

Table 4: Job creation estimates

Area	Sum of Professional labour	Sum of Skilled labour	Sum of Semi & Unskilled labour	Sum of Informal labour	Total - Direct jobs	Total - Indirect jobs
Beaconsfield to De Aar	96	404	1 294	1 459	3 249	2 437

[4] *Funded through approved MDS Fleet Plans*

[5] *The financial results are indicative of the expected economic returns and are subject to the finalisation of the port investments.*

PROJECT APPROVALS

28. The approval of the capital for the 'No-regrets" investments rail infrastructure complied with Transnet governance:

- On 17 October 2012 the Transnet EXCO unconditionally recommended the 'No-regrets' investment in support of the 16Mtpa expansion programme to the Transnet Board for approval:

EXCERPT FROM THE MINUTES OF THE GROUP EXECUTIVE COMMITTEE MEETING NO. 12/12 HELD ON 17 OCTOBER 2012 AT 09:30 IN BOARDROOM 4901, 49TH FLOOR, CARLTON CENTRE, 150 COMMISSIONER STREET, JOHANNESBURG

"5.13 **TFR Ngqura 16mtpa Manganese Export (ETC R12 400m)**

RESOLVED that the Committee recommended that the Board approves the execution of the first of two phases to expand the rail network capacity from the Northern Cape to the Port of Ngqura to support the Manganese Ore Expansion Programme from 5.5mpta to 16mpta at a cost of R2.4bn. 12/12/10"

RECOMMENDATION:

29. It is recommended that the Transnet Board Acquisition and Disposal Committee supports and recommends to the Transnet Board the capital estimated at **R2.38 billion** (escalated) for an initial 'No-regrets' investment in support of the Manganese ore expansion programme from 5.5 to 16Mtpa.

RECOMMENDED BY:

Nomfuyo Galeni
Chief Financial Officer, Transnet Freight Rail
Date:

RECOMMENDED BY:

Siyabonga Gama
Chief Executive, Transnet Freight Rail
Date: 2013 · 01 · 16

RECOMMENDED BY:

Anoj Singh
Group Chief Financial Officer
Date: 16/01/13

APPROVED BY:

~~**Brian Molefe**~~ Chark Möller
Act Group Chief Executive
Date: 2013 . 01 . 22

05

MINUTES OF THE GROUP EXECUTIVE COMMITTEE MEETING NO. 12/12 HELD ON 17 OCTOBER 2012 AT 09:30 IN BOARDROOM 4901, 49TH FLOOR, CARLTON CENTRE, 150 COMMISSIONER STREET, JOHANNESBURG

For Attention/ Resolution No

1 **CONSTITUTION OF MEETING**

1.1 **Present**

Mr B Molefe	Chairman
Mr M Gregg-Macdonald	Group Executive: Planning and Monitoring
Ms R Lepule	Group Executive: Transnet Property
Ms NJ Mabandla	Group Executive: Group Legal Services
Mr CA Möller	Group Executive: Transnet Capital Projects
Mr KC Phihlela	Group Executive: Commercial
Ms S Pillay	Chief Executive: Transnet Pipelines
Mr A Singh	Group Chief Financial Officer
Ms EAN Sishi	Group Executive: Human Resources
Mr KXT Socikwa	Chief Executive: Transnet Port Terminals
Mr R Vallihu	Chief Executive: Transnet Rail Engineering
Mr R Wolfenden	Chief Audit Executive (Ernst & Young)

1.2 **In Attendance**

Mr M Buthelezi	Chief Operating Officer: Transnet Freight Rail *(on behalf of Mr SI Gama)*
Ms P Difeto	General Manager: Office of the GCE
Mr E Lindeque	General Manager: Group Risk
Mr M Sigonyela	General Manager: Corporate and Public Affairs
Ms ANC Ceba	Group Company Secretary

1.3 **Partial Attendance**

None.

1.4 **Apologies**

Mr SI Gama	Chief Executive: Transnet Freight Rail
Mr T Morwe	Chief Executive: Transnet National Ports Authority

1.5 **Welcome**

1.5.1 The Chairman welcomed all members and attendees and having noted that there was a quorum, declared the meeting duly constituted. The attendance register was circulated for signature. The Chairman welcomed Ms Pillay to her first Group Exco meeting. He noted apologies from Messrs Gama who was in Turkey and Mr Morwe who was not feeling well. He apologised to the Committee on the delayed commencement.

1.6 **Adoption of Agenda**

The agenda was adopted as tabled with the following amendment:

- Items 5.8, 5.15, 5.16 and 5.17 deferred.
- Items 5.1 and 5.4 were merged.
- Items 5.10 and 5.12 were merged.

2 **SAFETY BRIEF**

The safety briefing and evacuation procedures were conducted by means of a video recording.

For Attention
Resolution No

5.13 **TFR Ngqura 16mtpa Manganese Export (ETC R12 400m)**

5.13.1 Mr Buthelezi took the Committee through the submission as contained in the pack. The submission was taken as read. The approval sought was for the first two phases to expand the rail network capacity from the Northern Cape to the Port of Ngqura to support the Manganese Ore Expansion Programme from 5.5mpta to 16mpta. The cost was estimated at R2.4bn. Mr Singh indicated that TFR will design and re-align the rail network capacity with TNPA's terminal design at a later stage. The business case was submitted to CAPIC for consideration and TNPA and TPT were tasked to finalise the port plans and TFR was requested to augment the business case with a "*no regret*" scenario.

5.13.2 Ms Mabandla was concerned that Group Legal Services was not involved in the process. Mr Buthelezi indicated that the comprehensive business case will be finalised in April 2013 due to the outstanding engineering studies. The Chairman was concerned by the *"partial"* approvals. There is a probability that some decisions may need to be reviewed when the comprehensive business case is tabled for consideration. He requested that Group Legal be included in the project.

RESOLVED that the Committee recommended that the Board approves the execution of the first two phases to expand the rail network capacity from the Northern Cape to the Port of Ngqura to support the Manganese Ore Expansion Programme from 5.5mpta to 16mpta at a cost of R2.4bn. 12/12/10

For Attention
Resolution No

pack.

12 **CLOSE**

There being no further business to conduct, the Chairman declared the meeting closed at 15:20.

CHAIRMAN
Date: 22.2.13.

GROUP COMPANY SECRETARY
Date: 20 NOVEMBER 2012

BB

"DS2"

DS2

MINISTER
PUBLIC ENTERPRISES
REPUBLIC OF SOUTH AFRICA

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Private Bag X9079, Cape Town, 8000 Tel: 021 461 6376/7 Fax: 021 465 2381/461 1741

Mr. Mafika Mkwanazi
Chairman
Transnet SOC Limited
P O Box 72501
Parkview
2122

Tel: 011 308 2235
Fax: 011 308 2315

Dear Mr Mkwanazi

Application in terms of the Public Finance Management Act (PFMA) for the Expansion of the Manganese Export Channel to 16mtpa through the Port of Ngqura

Your application dated 28 February 2014 refers.

Approval is hereby granted to Transnet for the expansion of the manganese export channel to 16mtpa. I am convinced after reviewing your application and business case that this expansion is vital for the growth of the local manganese industry.

I am particularly encouraged by the expected growth of established mines and more so, of the potential created for the emergence of junior miners. I urge Transnet to continue supporting Government's objectives, as contained in the New Growth Path and National Development Plan, in the execution of this project.

I am concerned though about the high risks associated with this project, in particular the risk of cost overruns. As per the business case, this risk could result in estimated project cost overruns of R6.83 billion which is unacceptably high. In addition to this risk, I am concerned about contract management flaws that have materialised in some of the mega projects that have been undertaken in this country. I therefore request Transnet to provide the Department with a detailed briefing on how cost overruns will be managed and the intended approach to contract management so as to avoid some of the project execution shortcomings that we have experienced in the recent past.

While this is a highly commercially viable project for Transnet, the benefits to the country from this infrastructure investment must be clarified and maximised. By providing this infrastructure, Transnet will be giving the major domestic mining companies a global competitive advantage and it is therefore worth exploring what benefits will be derived from this advantage. In my view, Transnet should engage with these mining companies to define contractually binding developmental obligations associated with unlocking additional capacity in the rail and the ports. Transnet should consult with the DPE and the Department of Trade and Industry (DTI) to ensure that clear criteria are defined for what constitutes developmental obligations, to guide Transnet in their negotiations. Transnet can, at their discretion, involve the DPE or the DTI in customer engagements. The proposals that meet the criteria as defined jointly by Transnet, DPE and DTI, should then be submitted to myself for final approval as part of the commercial agreements.

As per the Government's Strategic Integrated Programme (SIP) 3 plans, the development of the corridor includes constructing a manganese sinter in the Northern Cape and a smelter in the Eastern Cape. The submitted business case has not incorporated these beneficiation initiatives. I therefore request Transnet to address me on why these two initiatives were not incorporated into the business case and a comprehensive Transnet view regarding manganese beneficiation.

Lastly, in order to keep track of this and other projects, that have been granted PFMA approval, I request Transnet to provide a separate extensive report on the progress of these projects on a quarterly basis. The report should not only provide feedback regarding schedule and cost performance but also provide feedback on the socio-economic benefits that were outlined in PFMA application. In addition, should there be significant cost escalations on this or any other projects, I should be informed timeously.

I trust that the above mentioned issues will receive your appropriate attention.

Yours sincerely

MR MALUSI GIGABA, MP
MINISTER OF PUBLIC ENTERPRISES
DATE: 2014/05/23

BB

Lydia Matebisi Transnet Corporate JHB

From:	Lydia Matebisi Transnet Corporate JHB
Sent:	26 May 2014 11:21 AM
To:	'Siyamthanda Skota'
Subject:	Application in terms of the PFMA for the expansion of the Manganese export channel to 16mtpa through the port of Ngqura

Dear Siyamthanda

On behalf of Mr Mafika Mkwanazi, Chairman, Transnet SOC Ltd, I wish to acknowledge receipt of Minister Gigaba's letter dated 23 May 2014, regarding the above. RR

The letter has been forwarded to Mr Mkwanazi.

Kind regards
Reneilwe on behalf of Lydia

TRANSNET
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TRANSNET

MEMORANDUM

www.transnet.net

TO : Brian Molefe, Group Chief Executive, Transnet SOC Ltd

FROM : Charl Möller, Group Executive, Transnet Capital Projects

DATE : 6 August 2013

SUBJECT : **CONFINEMENT AND AWARD OF THE FEL 4 EPCM SERVICES TO HATCH GOBA FOR PHASE 1 OF THE MANGANESE 16mtpa TFR PROJECT**

PAGES : 7

PURPOSE

1. To obtain approval from the Group Chief Executive, Transnet SOC Ltd for confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba, the current FEL-3 service provider.

BACKGROUND

2. The Manganese expansion project as part of the MDS investment programme is a 'catalytic' growth project and supports the development of the Manganese industry (including various emerging mines) in the Northern Cape. The programme is tracked by the PICC in SIP 3: South Eastern node and corridor development.

3. Transnet has committed to provide 16mpta of manganese export capacity by March 2020, with an initial 8mtpa available by August 2018 when the new bulk terminal in the Port of Ngqura is expected to be commissioned.

4. Various critical milestones have been identified to achieve these dates necessitating the separation of the **rail** infrastructure expansion into separate phases being, Phases 1 and then 2: Full Expansion programme. Phase 1 is limited to work packages that have existing environmental authorisation where construction can commence immediately and where the investment benefit to Transnet can already be realised during the construction programme. Environmental approvals for the remaining work packages in Phase 2 are only expected by January 2014.

5. Phase 1 comprises the partial doubling of the line section (132km of a total of 243km) between Kimberley and De Aar, and the extension of the Rosmead passing loop at an estimated cost of R2.38 billion and an expected completion date of June 2016. EPCM cost based to industry norms usually range between 15-18% of project cost. The relative simplicity and free issue of perway materials on this project have placed it at the lower

1

end of the scale. EPCM cost of R220m has been calculated against the total project cost less free issued materials.

6. The business case for Phase 1 was approved by the Transnet Board on 15 February 2013 and Phase 2 is currently serving at various committees for approval.

7. The project milestones for Phase 1 (FEL-4) are summarised below:

Milestone	**Milestone**
Rail Environmental Authorisation	Approved
Construction Planning	
Award EPCM contract	To be complete before October 2013
Site establishment	
RAIL Phase 1: Construction to start	October 2013
RAIL Phase 1: Complete	**June 2016**

8. The detailed construction planning for Phase 1 has commenced. The following risks have however emerged:

8.1. Transnet's current EPCM procurement strategy requires public tender processes between the respective project lifecycle process (PLP) phases. Standing time between phases can be anywhere between 6 and 9 months depending on the tender process, quality of bids received and the complexity of the project.

8.2. Transnet Capital Projects is in the process of developing a revised EPCM operating model and strategy based on sound business principles and incorporating the findings of the NMPP Ministers report and seeks to combine the FEL2,-3 and FEL-4 phases to the same service provider as the preferred options to reduce project risks, associated schedule delays and ETC increases. This principle is also contained in the draft Supply Chain Management Policy that is currently being circulated for approval.

8.3. When reviewing the programme for Phase 1, only six months effectively remain between the issuing of the warrant and the commencement of construction. This does not allow sufficient time for an open tender EPCM process to appoint a new EPCM service provider. It also introduces the risk of further project delays should the engineering service provider wish to interrogate the engineering designs produced in the FEL-3 phase (by Hatch Goba). This is a material risk to the project timelines given that the EPCM service provider must confirm professional guarantees for the detailed engineering designs issued during construction. The estimated start date for site establishment is likely to move out from August 2013 to February 2014 should an open tender process be followed.

8.4 In quantifying the project delays it is estimated that each 6 month delay period introduced during the FEL-4 phase could potentially result in ~R80m of escalation increases in the project's ETC. This is calculated based on the escalation figures quoted in the Integrated Manganese Business case. The planned Phase 1 construction programme is a typical brown-fields expansion project and is very sensitive to the planning and granting of occupations on the existing lines. The operational planning during construction is also critical to maintain current volumes through the corridor but also to provide incremental capacity during construction. The knowledge gained by the EPCM service provider during the FEL-3 study will be used during construction to oversee and adjust the programme where necessary during the FEL-4 phase.

9. A series of frameworks/panels were established in TCP, through a competitive bid process, for the provision of a variety of services. Each framework/panel operates independently, with business awarded on a task order bases. Each framework resulted in the establishment of contracts with a panel of qualifying service providers.

10. Hatch Africa (now Hatch Goba) was then selected, under separate appointments on the Investment Planning Services framework/panel, for the provision of services for FEL 2 and FEL 3 phases of the Manganese 16mtpa Expansion Project (inclusive of phase 1). This was done using the selected process approval procurement mechanism. Their selection was mainly due to their involvement in previous studies carried out on the 8mtpa Manganese Project and their experience in rail infrastructure development. Hatch Africa was appointed for Rail FEL 3 and Port FEL2/3 studies in November 2011 for R34 million. An increase in the DCV was subsequently approved through a formal NAC submission (May 2012) increasing the value to R128 million, to include additional FEL3 deliverables required by the OD's. These included geotechnical and environmental works. TNPA and TFR approached their relevant CAPICs for approval of the additional funding.

11. The final rail FEL-3 study[1] with various value engineering iterations was completed in February 2013.

MOTIVATION

12. The motivation to confine FEL 4 is based on one of the four requirements for confinement as per the Procurement Procedures Manual (1/10/2012) namely:
    12.1. The Services being procured are highly specialized and largely identical to those previously executed by the supplier and it is not in the interest of the organisation or the Government to solicit other offers as it would result in **wasted time and money** for Transnet.

13. Phase 1 is a critical milestone in the 16mtpa Manganese expansion programme and also supports the interim initiatives to provide export capacity for manganese customers through various terminals in Port Elizabeth. This interim capacity is required to protect the global market share of local Manganese producers. In order to provide incremental capacity during the FEL-4 construction period and achieve the June 2016 implementation date, a special procurement process is required.

14. Engineering design work for Phase 1 as part of the full expansion project has already been done in the FEL-3 study which can be efficiently progressed to the final execution phase by retaining the EPCM services of the same service provider. Any changes in engineering design between FEL-3 and 4 could impact the scope of individual work packages and therefore the overall cost, a key lesson learnt on the NMPP project. The Manganese expansion introduces a new operating philosophy in the general freight network i.e. long, distributed power trains and TFR/Transnet together with the engineering service provider invested significant intellectual property, research and

[1] *The final FEL-3 study was for the full expansion which included phase 1 of the project*

development, simulations and know how in defining the infrastructure appropriate to this philosophy. Up-skilling of a new EPCM service provider on this philosophy will result in significant project delays. Additional time delays resulting in ETC escalations during Phase 1 will be avoided by proceeding with the current EPCM service provider.

15. The retention of the current EPCM service provider for engineering services in FEL-4 is therefore requested as an urgent action for Phase 1.

16. The confinement to Hatch Goba is being requested due to the services being largely identical to the services previously provided by Hatch Africa (now Hatch Goba).

17. The current service provider: Hatch Goba has the necessary skills and capacity to progress the engineering design and preparation of tender documentation for phase 1 of this project from FEL-3 to FEL-4. The service provider will serve as the single point of accountability of the required EPCM services and will provide the necessary professional guarantees required by the NEC3 contracting regime.

18. The confinement and award of EPCM services to Hatch Goba will ensure:
    - Business continuity;
    - The retention of Intellectual Property (IP);
    - Effective transfer of skills;
    - Effective risk mitigation;
    - The assurance that no rework is required to secure professional indemnity; and
    - Timeous completion of the detailed engineering design and preparation of tender documentation for the construction phase (FEL-4) of the project.

19. The overall project risk exposure, including cost control and optimization will be management through the employment of robust works information, developed by TCP to especially cater for EPCM services, the employment of a suitable contracting strategy and the use of various tools for the upfront benchmarking of costs. The aforementioned works information was developed and reviewed by a cross functional team within TCP to address the lessons learnt on past EPCM contracts including the NMPP. It addresses all the key obligations, constraints, cost management and contract management controls and ensures alignment with the relevant Transnet policies and procedures. The relevant performance management, monitoring and reporting requirements are also included.

20. The NEC3 Professional Services Contract (PSC) with pricing option A was identified as the suitable contracting strategy for the contracting of the required EPCM services. NEC3 PSC Option A is a priced contract with an activity schedule for professional services and schedule of rates for a predetermined scope of works. Under this pricing option the service provider carries the risk of proving those services described in the activity schedule for a lump sum. Payment milestones are based on activities completed. Early completion of the services while in the context of project requirements, entitle the service provider to early payment, this in itself becomes an incentive for the early completion of the works. The works is expected to be executed over a 34 month period commence as soon as possible after obtaining all the required approvals. No early completion incentives have been provided for save for those inherent to the selected contracting methodology.

21. Potential changes will be managed in terms of a risk register and the standard compensation events methodology provided for in the NEC3 suit of contracts. Cost associated with compensation events will be derived from the priced rates schedule and where applicable proof of the relevant costs incurred.

22. TCP will benchmark costs against accepted industry norms and comparable rates obtained on other tenders. If necessary cost and/or time estimates will be obtained from independent sources to ensure and verify that value for money is obtained.

23. Effective management will be ensured through an owner's team that has been appointed to monitor the EPCM service provider's performance. This team, led by an experienced Project Director is made up of subject matter experts from the various functional support areas and will report into the approved Programme Organisation.

24. TCP has already appointed a core team on the manganese project led by an experienced Project Director with 15 years' experience in project management supported by personnel who are skilled in procurement, construction management and project controls. In addition to this TCP is actively procuring additional resources, to ensure a full owner's team will be in place to manage the EPCM. The key potential liabilities of the EPCM contract which must be managed by the owners team relates to breach or negligence in the performance of the design work. TCP will therefore ensure that engineering managers are appointed to ensure that reasonable design completion targets are reached. The owner's team will also ensure that a scope change team are introduced and that scope changes are tightly controlled. TCP will ensure that a specialised project control team verifies these estimates and schedules and ensure a proper project control system supported by the proper software packages is in place. With EPCM's the execution contracts are between the owner and contractor with the EPCM not being a party to the contract other that managing the contract on behalf of the owner. The owners team must therefore ensure quality assurance of tender documentation, proper control of any DOA and ensure that contracts are managed in terms of NEC3. The NEC3 professional service tender documentation was updated to ensure a tighter control of the EPCM. In addition to the above the owner's team must ensure that governance are maintained through competent staff in environmental, safety and construction compliance.

FINANCIAL IMPLICATIONS

25. If approved, the total estimated contract value for the EPCM services in FEL-4 will be R220 million for phase 1 of the 16mtpa Manganese expansion project.

BUDGET IMPLICATIONS

26. The R220 million for the EPCM services in the FEL-4 stage of Phase 1 is included in the approved EPCM value for the project.

BBBEE IMPLICATIONS

27. When Transnet entered into the original contract with Hatch Africa, prior to the merger with Goba (resulting in Hatch Goba), Hatch Africa had a BBBEE contributor status level of 3. The BBBEE certificate currently in Transnet's possession was valid for the financial year 2012/13 and Transnet have been notified by Hatch Goba that they are currently in the verification process of obtaining a new valid BBBEE certificate. Hatch Goba's targeted objective to obtain a minimum level 3 contributor status in terms of the current Broad

Based Black Economic Empowerment (BBBEE) codes will be driven by an active BBBEE strategy to ensure that it contributes positively to transformation within its sector and society as a whole.

28. In addition to this, TCP also requests that Hatch Goba submit a B-BBEE improvement plan. Hatch Goba are therefore requested to indicate the extent to which their ownership, management control, employment equity, preferential procurement and enterprise development will be maintained or improved over the contract period.

SUPPLIER DEVELOPMENT IMPLICATIONS

29. SD will be implemented in the form of a pre-qualification criterion as well as a threshold

30. The minimum pre-qualifying criteria of 50% of contract value will be allocated to SD related initiatives. It is Transnet's preference that this be directed towards Small Business Promotion, for works to be sub-contracted to service providers that are preferably black owned, black women, black youth, people with disabilities or with the South African National Military Veterans Association (SAMVA).

31. Along with the SD pre-qualification, an SD threshold of 60% will also be required, with the service provider evaluated against predetermined criteria. The table below provides an indication as to the weightings developed per SD category:

SD Category	Weighting
Capability and Capacity Building	10%
Technology and IP Transfer	5%
New Skills Development	15%
Job Creation	15%
Job Preservation	10%
Small Business Promotion	45%

32. The SD plan/proposal will be negotiated if required to ensure maximum alignment with the criteria set. The service provider will be required to identify clear and tangible outcomes which can be achieved over the duration of the contract, based on the scope of works and the applicable SD pillars. These outcomes together with their key milestones and the methodology for achieving them will be documented within the SD plan and finally included in their contractual obligations by way of incorporation to the works information. The plan will among other things address how skills transfer will be realised to subcontractors and how capability and capacity building will be addressed. This plan to be fully documented within 90 days after award of the contract. Confirmation from contractor to be obtained that Transnet bears no risk for subcontractor non-performance.

33. The service provider will be liable to pay penalties on any undelivered portions of their SD commitments. Penalties will be negotiated with the service provider in question with the aim of securing a penalty not less than 100% of any undelivered SD obligations. This will be incorporated as a provision under the contract. Transnet will reserve its right to set off any penalty due against milestone payments.

APPROVALS AND DELEGATIONS

34. Paragraph 5.4.3 (confinements) of the Transnet Delegation of Authority Framework effective 29 May 2013 will be applicable where the GCE has the authority to approve confinements up to R250 million.

RECOMMENDATION

35. It is recommended that the Transnet Group Chief Executive Officer approves the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba, the current FEL-3 service provider. The estimated value for this appointment is R220m with an estimated contract period of 34 months beginning in August 2013 to June 2016. The confinement award is subject to all of the following:
    - Value of the contract not to exceed R 220m;
    - SD prequalification of 50% be met;
    - SD threshold of 60% be met;
    - Penalty for un-delivered SD obligation be 100%;
    - Skills capacity and transfer plan to be submitted within 90days;
    - Subcontractor non-performance not Transnet's risk

Compiled and submitted by Rudie Basson, GM: Project Execution Port and Rail.

Recommended/~~Not recommended~~ by:

Gerhard Bierman
Chief Financial Officer, TCP

Date:

Recommended/~~Not recommended~~ by:

Charl Möller
Group Executive
Transnet Capital Projects
Date: 7/8/2013

Recommended/~~Not recommended~~ by:

Siyabonga Gama
Group Executive
Transnet Freight Rail
Date: 2013.08.07

Recommended/~~Not recommended by:~~

Mohammed Mahomedy
General Manager Group Capital Integration
Date: 07/08/2013

Recommended/~~Not recommended~~ by:

Garry Pita
Group Chief Supply Chain Officer
Date: 8/8/13

Recommended/~~Not recommended~~ by:

Anoj Singh
Group Chief Financial Officer
Date: 15/08/13

Approved/~~Not Approved~~ by:

Brian Molefe
Group Chief Executive, Transnet SOC Ltd
Date: 19-8-13.

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"DS4"

DS4

The Requisition (or Request to Purchase) issued to Procurement must be approved by the Specialist Unit's HOD or his duly authorised delegate. Such approved requisition or Request to Purchase will signify that the acquisition has been approved and that the necessary funds are available.
Submissions requiring approval of the GCSCO or higher must also include a procurement strategy document, signed off by the person with the delegated authority.

5.4.3 **Approval to approach the market for confined tenders: Confinement of tenders (not subject to the quotation system)**

Approval Authority →	**OD CE and TCP GE**	**GCSCO**	**GCFO**	**GCE**	**Board Acquisitions and Disposals Committee**	**Board**
Operating Divisions	Nil	Nil	Nil	Up to but not exceeding R250m	Up to but not exceeding R1000m	Exceeding R1000m
Approval Authority →	**Group Exco Members**	**GCSCO**	**GCFO**	**GCE**	**Board Acquisitions and Disposals Committee**	**Board**
Specialist Units	Nil	Nil	Nil	Up to but not exceeding R250m	Up to but not exceeding R1000m	Exceeding R1000m

The limits are per transaction/confinement. All requests for approval of confinements must be made by the OD CE/Group Exco Member to the GCE. The OD Specialist Unit shall prepare the submission in collaboration with Transnet integrated supply chain management (iSCM) to ensure that the rules for confinement are met.
In instances where confinement is confidential the GCE may approve such confinement without the confinement request being routed via any other authority.

"DS5"

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TRANSNET

MEMORANDUM

www.transnet.net

TO : Brian Molefe, Group Chief Executive, Transnet SOC Ltd

FROM : Charl Möller, Group Executive, Transnet Capital Projects

DATE : 31 July 2013

SUBJECT : **CONFINEMENT AND AWARD OF THE FEL 4 EPCM SERVICES TO HATCH GOBA FOR PHASE 1 OF THE MANGANESE 16mtpa TFR PROJECT**

PAGES : 7

PURPOSE

1. To obtain approval from the Group Chief Executive, Transnet SOC Ltd for confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba, the current FEL-3 service provider.

BACKGROUND

2. The Manganese expansion project as part of the MDS investment programme is a 'catalytic' growth project and supports the development of the Manganese industry (including various emerging mines) in the Northern Cape. The programme is tracked by the PICC in SIP 3: South Eastern node and corridor development.

3. Transnet has committed to provide 16mpta of manganese export capacity by March 2020, with an initial 8mtpa available by August 2018 when the new bulk terminal in the Port of Ngqura is expected to be commissioned.

4. Various critical milestones have been identified to achieve these dates necessitating the separation of the **rail** infrastructure expansion into separate phases being, Phases 1 and then 2: Full Expansion programme. Phase 1 is limited to work packages that have existing environmental authorisation where construction can commence immediately and where the investment benefit to Transnet can already be realised during the construction programme. Environmental approvals for the remaining work packages in Phase 2 are only expected by January 2014.

5. Phase 1 comprises the partial doubling of the line section (132km of a total of 243km) between Kimberley and De Aar, and the extension of the Rosmead passing loop at an estimated cost of R2.38 billion and an expected completion date of June 2016. EPCM cost based to industry norms usually range between 15-18% of project cost. The relative simplicity and free issue of perway materials on this project have placed it at the lower

end of the scale. EPCM cost of R220m has been calculated against the total project cost less free issued materials.

6. The business case for Phase 1 was approved by the Transnet Board on 15 February 2013 and Phase 2 is currently serving at various committees for approval.

7. The project milestones for Phase 1 (FEL-4) are summarised below:

Milestone	**Milestone**
Rail Environmental Authorisation	Approved
Construction Planning	
Award EPCM contract	To be complete before October 2013
Site establishment	
RAIL Phase 1: Construction to start	October 2013
RAIL Phase 1: Complete	**June 2016**

8. The detailed construction planning for Phase 1 has commenced. The following risks have however emerged:

8.1. Transnet's current EPCM procurement strategy requires public tender processes between the respective project lifecycle process (PLP) phases. Standing time between phases can be anywhere between 6 and 9 months depending on the tender process, quality of bids received and the complexity of the project.

8.2. Transnet Capital Projects is in the process of developing a revised EPCM operating model and strategy based on sound business principles and incorporating the findings of the NMPP Ministers report and seeks to combine the FEL2,-3 and FEL-4 phases to the same service provider as the preferred options to reduce project risks, associated schedule delays and ETC increases. This principle is also contained in the draft Supply Chain Management Policy that is currently being circulated for approval.

8.3. When reviewing the programme for Phase 1, only six months effectively remain between the issuing of the warrant and the commencement of construction. This does not allow sufficient time for an open tender EPCM process to appoint a new EPCM service provider. It also introduces the risk of further project delays should the engineering service provider wish to interrogate the engineering designs produced in the FEL-3 phase (by Hatch Goba). This is a material risk to the project timelines given that the EPCM service provider must confirm professional guarantees for the detailed engineering designs issued during construction. The estimated start date for site establishment is likely to move out from August 2013 to February 2014 should an open tender process be followed.

8.4. In quantifying the project delays it is estimated that each 6 month delay period introduced during the FEL-4 phase could potentially result in ~R80m of escalation increases in the project's ETC. This is calculated based on the escalation figures quoted in the Integrated Manganese Business case. The planned Phase 1 construction programme is a typical brown-fields expansion project and is very sensitive to the planning and granting of occupations on the existing lines. The operational planning during construction is also critical to maintain current volumes through the corridor but also to provide incremental capacity during construction. The knowledge gained by the EPCM service provider during the FEL-3 study will be used during construction to oversee and adjust the programme where necessary during the FEL-4 phase.

9. A series of frameworks/panels were established in TCP, through a competitive bid process, for the provision of a variety of services. Each framework/panel operates independently, with business awarded on a task order bases. Each framework resulted in the establishment of contracts with a panel of qualifying service providers.

10. Hatch Africa (now Hatch Goba) was then selected, under separate appointments on the Investment Planning Services framework/panel, for the provision of services for FEL 2 and FEL 3 phases of the Manganese 16mtpa Expansion Project (inclusive of phase 1). This was done using the selected process approval procurement mechanism. Their selection was mainly due to their involvement in previous studies carried out on the 8mtpa Manganese Project and their experience in rail infrastructure development. Hatch Africa was appointed for Rail FEL 3 and Port FEL2/3 studies in November 2011 for R34 million. An increase in the DCV was subsequently approved through a formal NAC submission (May 2012) increasing the value to R128 million, to include additional FEL3 deliverables required by the OD's. These included geotechnical and environmental works. TNPA and TFR approached their relevant CAPICs for approval of the additional funding.

11. The final rail FEL-3 study[1] with various value engineering iterations was completed in February 2013.

MOTIVATION

12. The motivation to confine FEL 4 is based on one of the four requirements for confinement as per the Procurement Procedures Manual (1/10/2012) namely:
    12.1. The Services being procured are highly specialized and largely identical to those previously executed by the supplier and it is not in the interest of the organisation or the Government to solicit other offers as it would result in **wasted time and money** for Transnet.

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[1] *The final FEL-3 study was for the full expansion which included phase 1 of the project*

development, simulations and know how in defining the infrastructure appropriate to this philosophy. Up-skilling of a new EPCM service provider on this philosophy will result in significant project delays. Additional time delays resulting in ETC escalations during Phase 1 will be avoided by proceeding with the current EPCM service provider.

15. The retention of the current EPCM service provider for engineering services in FEL-4 is therefore requested as an urgent action for Phase 1.

16. The confinement to Hatch Goba is being requested due to the services being largely identical to the services previously provided by Hatch Africa (now Hatch Goba).

17. The current service provider: Hatch Goba has the necessary skills and capacity to progress the engineering design and preparation of tender documentation for phase 1 of this project from FEL-3 to FEL-4. The service provider will serve as the single point of accountability of the required EPCM services and will provide the necessary professional guarantees required by the NEC3 contracting regime.

18. The confinement and award of EPCM services to Hatch Goba will ensure:
    - Business continuity;
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    - Effective transfer of skills;
    - Effective risk mitigation;
    - The assurance that no rework is required to secure professional indemnity; and
    - Timeous completion of the detailed engineering design and preparation of tender documentation for the construction phase (FEL-4) of the project.

19. The overall project risk exposure, including cost control and optimization will be management through the employment of robust works information, developed by TCP to especially cater for EPCM services, the employment of a suitable contracting strategy and the use of various tools for the upfront benchmarking of costs. The aforementioned works information was developed and reviewed by a cross functional team within TCP to address the lessons learnt on past EPCM contracts including the NMPP. It addresses all the key obligations, constraints, cost management and contract management controls and ensures alignment with the relevant Transnet policies and procedures. The relevant performance management, monitoring and reporting requirements are also included.

20. The NEC3 Professional Services Contract (PSC) with pricing option A was identified as the suitable contracting strategy for the contracting of the required EPCM services. NEC3 PSC Option A is a priced contract with an activity schedule for professional services and schedule of rates for a predetermined scope of works. Under this pricing option the service provider carries the risk of proving those services described in the activity schedule for a lump sum. Payment milestones are based on activities completed. Early completion of the services while in the context of project requirements, entitle the service provider to early payment, this in itself becomes an incentive for the early completion of the works. The works is expected to be executed over a 34 month period commence as soon as possible after obtaining all the required approvals. No early completion incentives have been provided for save for those inherent to the selected contracting methodology.

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23. Effective management will be ensured through an owner's team that has been appointed to monitor the EPCM service provider's performance. This team, led by an experienced Project Director is made up of subject matter experts from the various functional support areas and will report into the approved Programme Organisation.

24. TCP has already appointed a core team on the manganese project led by an experienced Project Director with 15 years' experience in project management supported by personnel who are skilled in procurement, construction management and project controls. In addition to this TCP is actively procuring additional resources, to ensure a full owner's team will be in place to manage the EPCM. The key potential liabilities of the EPCM contract which must be managed by the owners team relates to breach or negligence in the performance of the design work. TCP will therefore ensure that engineering managers are appointed to ensure that reasonable design completion targets are reached. The owner's team will also ensure that a scope change team are introduced and that scope changes are tightly controlled. TCP will ensure that a specialised project control team verifies these estimates and schedules and ensure a proper project control system supported by the proper software packages is in place. With EPCM's the execution contracts are between the owner and contractor with the EPCM not being a party to the contract other that managing the contract on behalf of the owner. The owners team must therefore ensure quality assurance of tender documentation, proper control of any DOA and ensure that contracts are managed in terms of NEC3. The NEC3 professional service tender documentation was updated to ensure a tighter control of the EPCM. In addition to the above the owner's team must ensure that governance are maintained through competent staff in environmental, safety and construction compliance.

FINANCIAL IMPLICATIONS

25. If approved, the total estimated contract value for the EPCM services in FEL-4 will be R220 million for phase 1 of the 16mtpa Manganese expansion project.

BUDGET IMPLICATIONS

26. The R220 million for the EPCM services in the FEL-4 stage of Phase 1 is included in the approved EPCM value for the project.

BBBEE IMPLICATIONS

27. B-BBEEE strategies will be implemented in line with the soon to be approved Transnet EPCM strategy. When Transnet entered into the original contract with Hatch Africa, prior to the merger with Goba (resulting in Hatch Goba), Hatch Africa had a BBBEE contributor status level of 3. The BBBEE certificate currently in Transnet's possession was valid for the financial year 2012/13 and Transnet have been notified by Hatch Goba that they are currently in the verification process of obtaining a new valid BBBEE

certificate. Hatch Goba's targeted objective to obtain a minimum level 3 contributor status in terms of the current Broad Based Black Economic Empowerment (BBBEE) codes will be driven by an active BBBEE strategy to ensure that it contributes positively to transformation within its sector and society as a whole.

28. In addition to this, TCP also requests that Hatch Goba submit a B-BBEE improvement plan. Hatch Goba are therefore requested to indicate the extent to which their ownership, management control, employment equity, preferential procurement and enterprise development will be maintained or improved over the contract period.

SUPPLIER DEVELOPMENT IMPLICATIONS

29. SD will be implemented in the form of a pre-qualification criterion as well as a threshold.

30. The minimum pre-qualifying criteria of 40% of contract value will be allocated to SD related initiatives. It is Transnet's preference that this be directed towards Small Business Promotion, for works to be sub-contracted to service providers that are preferably black owned, black women, black youth, people with disabilities or with the South African National Military Veterans Association (SAMVA).

31. Along with the SD pre-qualification, an SD threshold of 60% will also be required, with the service provider evaluated against predetermined criteria. The table below provides an indication as to the weightings developed per SD category:

SD Category	Weighting
Capability and Capacity Building	10%
Technology and IP Transfer	5%
New Skills Development	15%
Job Creation	15%
Job Preservation	10%
Small Business Promotion	45%

32. The SD plan/proposal will be negotiated if required to ensure maximum alignment with the criteria set. The service provider will be required to identify clear and tangible outcomes which can be achieved over the duration of the contract, based on the scope of works and the applicable SD pillars. These outcomes together with their key milestones and the methodology for achieving them will be documented within the SD plan and finally included in their contractual obligations by way of incorporation to the works information. The plan will among other things address how skills transfer will be realised to subcontractors and how capability and capacity building will be addressed.

33. The service provider will be liable to pay penalties on any undelivered portions of their SD commitments. Penalties will be negotiated with the service provider in question with the aim of securing a penalty not less than 10% of any undelivered SD obligations. This will be incorporated as a provision under the contract.

103

APPROVALS AND DELEGATIONS

34. Paragraph 5.4.3 (confinements) of the Transnet Delegation of Authority Framework effective 29 May 2013 will be applicable where the GCE has the authority to approve confinements up to R250 million.

RECOMMENDATION

35. It is recommended that the Transnet Group Chief Executive Officer approves the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba, the current FEL-3 service provider. The estimated value for this appointment is R220m with an estimated contract period of 34 months beginning in August 2013 to June 2016.

Compiled and submitted by Rudie Basson, GM: Project Execution Port and Rail.

Recommended/~~Not recommended~~ by:

Gerhard Bierman
Chief Financial Officer, TCP
Date: 31/7/2013

Recommended/~~Not recommended~~ by:

Charl Möller
Group Executive
Transnet Capital Projects
Date: 2013.08.01

Recommended/~~Not recommended~~ by:

Siyabonga Gama
Group Executive
Transnet Freight Rail
Date: 2013.08.01

Recommended/Not recommended by:

Mohammed Mahomedy
General Manager Group Capital Integration
Date:

Recommended/Not recommended by:

Garry Pita
Group Chief Supply Chain Officer
Date:

Recommended/Not recommended by:

Anoj Singh
Group Chief Financial Officer
Date:

Approved/Not Approved by:

Brian Molefe
Group Chief Executive, Transnet SOC Ltd
Date:

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TRANSNET

MEMORANDUM

www.transnet.net

TO : Brian Molefe, Group Chief Executive, Transnet SOC Ltd

FROM : Charl Möller, Group Executive, Transnet Capital Projects

DATE : 12 November 2013

SUBJECT : **FEL 4 EPCM SERVICES FOR PHASE 1 OF THE MANGANESE 16mtpa TFR PROJECT TO HATCH GOBA CONFINEMENT AND AWARD STATUS UPDATE FOR NOTING**

PAGES : 4

PURPOSE

1. To inform the Group Chief Executive, Transnet SOC Ltd on the status of the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba (Pty) Ltd (hereinafter Hatch Goba).

BACKGROUND

2. Approval to confine and award the EPCM services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba was granted by the Group Chief Executive during August 2013.

3. A proposed amendment to the approved confinement mandate, to decrease the Supplier Development percentage from 50% to 30%, was requested from the Group Chief Executive on 18 September 2013 (Refer to Annexure A) and returned with questions from the Group Chief Executive, which is addressed below.

DISCUSSION

4. A request for proposal was submitted to Hatch Goba, following which a number of clarifications and negotiations ensued, finally resulting in the submission of their best and final offer on 13 September 2013.

5. All material requirements and conditions specified in the approved confinement were met, save for the Supplier Development (SD) prequalification percentage required. The approved confinement contained a 50% SD prequalification requirement, while the Hatch Goba's final offer only provides for 30% SD. Provision of the required 50% SD prequalification attracted a premium of approximately R102million.

6. Following the Group Chief Financial Officer and Group Chief Executive's question on the SD premium, further negotiations ensued and the 50% SD prequalification has now been met, with no premium.

7. Further negotiations led by Mr. G. Pita, Group Chief Supply Chain Officer, followed, wherein Transnet's requirement that Hatch Goba sub-contract 30% of the EPCM bid price to emerging black owned companies was met by Hatch Goba on 31 October 2013, as follows:

	Name and address of proposed Sub-consultant	Nature and extent of work/service	B-BBEE level	% Black Ownership
1	ASCENG Office E, 1st Floor Building 16 The Woodlands Cnr. Kelvin & Woodlands Drive Woodmead 2191	Multidisciplinary Engineering Consulting and Project Management Company	2	100% BO 0% BWO
2	EDS	EDS Offers a unique combination of services designed to provide customized solutions to the Renewable Energy, Mining and corporate sectors. Our experience within the B-BBEE consulting, organizational transformation, economic development and strategic facilitation enables EDS to provide a holistic service to our clients	1	100% BO 80% BWO
3	MMQS	QS and Contract Admin	2	100% BO 0% BWO
4	ZD Projects	Engineering and Project services	1	100% BO 100% BWO
5	Aspire	Engineering and Project services	2	100% BO 100% BWO

8. All criteria as per the confinement granted in August 2013 has now been met in full after clarifications regarding certain measurements of Supplier Development components as presented by Hatch Goba.

9. Transnet firmly believes that the true value of the Supplier Development portion to the emerging EPCM black owned company is approximately 40%, therefore an additional 10% value on their bid offer. Discussions in terms of the Supplier Development measurements will continue, but suffice to state that Hatch Goba Supplier Development commitment is of high value given the value of this confined contract.

10. The following Supplier Development commitment was received from Hatch Goba:

Supplier development category	Value of commitment	Percentage of Bid price value (R219 697 142.28)
Job creation and preservation	R 13 484 410.13	6.14%
Skills development	R 18 109 298.09	8.24%
Rural integration and Regional development	R 3 951 878.74	1.80%
Small business promotion sub-contracting to an Emerging EPCM Black owned Company and EME's and QSE's	R 74 426 925.50	33.88%
Total	**R109 971 512.46**	**50.06%**

11. In response to the Group Chief Executive's additional question raised regarding dates, the request for proposal (RFP) was issued on 26 August 2013 and an original bid (best and final offer at the time) was received on 13 September 2013. Thus the procurement activities took place within one month and therefore the bid offer by Hatch Goba remains relevant and negotiable. In terms of the High Value Tender process, the internal auditors, SekelaXabiso deemed the process satisfactory.

FINANCIAL IMPLICATIONS

12. The confine and award mandate for the EPCM services for FEL-4 phase 1 of the 16mtpa Manganese expansion project was approved at a value of R220million. Hatch Goba's best and final offer was submitted at R219,697,142.28 which includes a 50% SD Commitment.

BUDGET IMPLICATIONS

13. The R220 million for the EPCM services in the FEL-4 stage of Phase 1 is included In the approved EPCM value for the project.

CONCLUSION

14. The confinement mandate has been met in full with both the 50% SD prequalification and bid offer within the budget at R220m.

15. The award of the EPCM contract to Hatch Goba will be concluded by sign-off by the Delegated Authority in terms of the TCP Project Commercial Levels of Authority Framework and the award will be tabled for Noting by the TCP National Acquisition Council.

RECOMMENDATION

16. The GCE note the status of the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for DEL 4 Phase 1 of the Manganese 16Mtpa TFR expansion project to Hatch Goba.

Compiled and submitted by:

Gerhard Bierman
Chief Financial Officer, TCP
Date: 13/11/2013

Recommended / ~~Not recommended~~ by:

Charl Möller
Group Executive, TCP
Date: 2013.11.13

Recommended / Not ~~recommended by:~~

Peter Volmink
Executive Manager, Transnet SOC Ltd
Date: 13/11/13

Recommended / Not recommended by:

Edward Thomas
Executive Manager, Transnet SOC Ltd
Date: 13/11/13

Recommended / ~~Not recommended by:~~

Garry Pita pp
Group Chief Supply Chain Officer, Transnet SOC Ltd
Date: 13/11/13

Recommended / ~~Not recommended by:~~

Anoj Singh
Group Chief Financial Officer, Transnet SOC Ltd
Date: 19/11/13

Noted by:

Brian Molefe
Group Chief Executive, Transnet SOC Ltd
Date: 21.11.13.

"DS7"

T1.2 Tender Data

The conditions of tender are the Standard Conditions of Tender as contained in Annex F of the CIDB Standard for Uniformity in Construction Procurement (January 2009) as published in Government Gazette No 31823, Board Notice 12 of 2009 of 30 January 2009 as amended by Board Notice 86 of 2010. (See www.cidb.org.za).

The Standard Conditions of Tender make several references to the Tender Data for details that apply specifically to this tender. The Tender Data shall have precedence in the interpretation of any ambiguity or inconsistency between it and the Standard Conditions of Tender.

Each item of data given below is cross-referenced to the clause in the Standard Conditions of Tender to which it mainly applies.

Clause number	Tender Data
F.1.1	The employer is Transnet SOC Ltd (Reg No: 1990/000900/30)
F.1.2	The Tender Documents issued by the Employer comprise the following documents: **THE TENDER** **Part T1: Tendering Procedures** T1.1 - Tender Notice and Invitation to Tender T1.2 - Tender Data **Part T2: Returnable Documents** T2.1 - List of Returnable Documents T2.2 - Returnable Schedules **Offer 1– FEL 3b** **THE CONTRACT** **Part C1: Agreements and Contract data** C1.1 - Form of Offer and Acceptance C1.2 - Contract Data C1.3 - Forms of Securities **Part C2: Pricing Data** C2.1 - Pricing Instructions C2.2 - Option E Time Based Contract **Part C3: Scope of work** C3 - Scope of Services

	Offer 2 – FEL 4 **THE CONTRACT** **Part C1: Agreements and Contract data** C1.1 - Form of Offer and Acceptance C1.2 - Contract Data C1.3 - Forms of Securities **Part C2: Pricing data** C2.1 - Pricing Instructions C2.2 - Activity Schedule **Part C3: Scope of work** C3 - Scope of Services **ANNEXURE** CD containing the FEL 3 Study Report – H341803-0000-90-124-0001, Revision 0
F.1.4	The employer's agent is : Transnet Capital Projects (TCP) Name: **Mzonyana Sidinana** Address: Table Bay Building, Tygerberg Hills Office Park, 163 Uys Krige Drive (previously Hendrik Verwoerd Drive), Plattekloof, Western Cape Tel: (021) 940 1868 E-mail: TCPDocControlGauteng@transnet.net
F.1.6	The competitive negotiation procedure may be applied.
F.2.7	The arrangements for a compulsory clarification briefing session are as stated in the Tender Notice and Invitation to Tender. Tenderers must sign the attendance list in the name of the tendering entity. Addenda will be issued to and tenders will be received only from those tendering entities appearing on the attendance list from the compulsory briefing session.
F.2.12	No alternative tender offers will be considered.
F.2.13.3	Parts of each tender offer communicated on paper shall be submitted as an original, plus 2 (two) copies.

F.2.13.5	The Employer's details and address for delivery of tender offers and identification details that are to be shown on each tender offer package are: Location of tender box: **The foyer of the ground floor of the Table Bay Building, Transnet Capital Projects** Physical address: **163 Uys Krige Drive (previously Hendrik Verwoerd Drive), Plattekloof, 7500, Cape Town** Identification details: The tender documents must be submitted in a sealed envelope labelled with: • The Project Name: Manganese 16mtpa expansion project: Ngqura Manganese Export Terminal • The Tender Number: TPG CON 002/2014 • The Tender Description: EPCM services for FEL 4 of the Manganese 16mtpa expansion project: Ngqura Manganese Export Terminal Documents must be marked for the attention of: Procurement Lead: **Mzonyana Sidinana** Prior arrangement on the submittal of large tender documents should be made with the Procurement Lead.
F.2.13.9	Telephonic, telegraphic, facsimile or e-mailed tender offers will not be accepted.
F.2.15	The closing time for submission of tender offers is as stated in the Tender Notice and Invitation to Tender.
F.2.16	The tender offer validity period will be until 1st October 2014.
F.2.18	Provide, on request by the Employer, any other material information that has a bearing on the tender offer, the tenderer's commercial position (including notarized joint venture agreements), preferencing arrangements, or samples of materials, considered necessary by the Employer for the purpose of a full and fair risk assessment. Should the tenderer not provide the material, or a satisfactory reason as to why it cannot be provided, by the time for submission stated in the Employer's request, the Employer may regard the tender offer as non-responsive.
F.2.20	The tenderer is required to submit with his tender a letter of intent from an approved insurer undertaking to provide the Performance Guarantee to the format included in Part T2.2.18 of this procurement document.
F.2.23	The tenderer is required to submit with his tender: 1) An **original** Tax Clearance Certificate issued by the South African Revenue Services. 2) A valid SANAS or IRBA B-BBEE accreditation certificate. 3) A valid letter of good standing with the Compensation Fund; and 4) All other returnable documents as detailed out in section T2.1, Returnable Documents.
F.3.1.1	The Employer will respond to requests for clarification received up to 5 working days before the tender closing time.

F.3.4	The time and location for opening of the tender offers are: Time and Date: **18 June 2014** Location: **The foyer of the ground floor of the Transnet Capital Projects, Table Bay Building, Tygerberg Hills Office Park, 163 Uys Krige Drive (previously Hendrik Verwoerd Drive), Plattekloof, 7500, Cape Town.**
F.3.11.3	The procedure for the evaluation of responsive tenders is Method 2, which considers the financial offer and preference. As a result of this contract being in excess of R1, 000,000.00 and in accordance with the PPPFA, the 90/10 price/preference points system will be used. The formula for calculating the price/preference points allocation in accordance with the PPPFA is as follows: $Ps = 90\left(1 - \frac{Pt - Pmin}{Pmin}\right)$ Where: Ps: The score for the bid which is under consideration Pt: Comparative price of bid under consideration Pmin: Comparative price of the lowest bid which passed the technical functionality threshold

F.3.11.3	**Pre-qualifying Supplier Development and Quality (Functionality) Threshold:** Supplier Development (SD) Supplier Development will operate as a pre-qualification and a minimum threshold as detailed below: PROPOSAL •Pre-Qualification Criteria: 45% of the contract value needs to be assigned towards SD and evident within the Template provided in, T2.2.40 Annexure B. In addition 30% of the contract value shall be sub-contracted to small businesses (EME, QSE & start-ups) preferably black owned, black women owned or people with disability owned and also evident within the SD Plan template provided in, T2.2.40 Annexure B. Additional SD criteria referred to in T2.2.40 Annexure A, the Supplier Development Guideline, needs to be reviewed and detailed within the Consultant's Supplier Development Plan which is to be submitted as part of the tender offer. The tenderers SD plan is a consolidated SD plan for the delivery of both offers (scopes) of this tender. However individual SD plans are required for each offer, resulting in three (3) SD plans required for this tender. Only the consolidated SD plan will be used for evaluation of the SD pre-qualification **The Supplier Development Plan** The upswing in growth in the last decade, followed by the global recession in 2008, as well as persistently high unemployment and social inequality, forced the South African government to re-evaluate its growth strategy. This led to the development of a revised growth framework, the New Growth Path (NGP). The NGP aims to enhance growth, employment creation and equity, through the identification of strategies that will enable South Africa to grow in a more equitable and inclusive manner and promote the development of new industry to attain South Africa's developmental agenda.

In order to achieve this, the NGP focuses on:

- Increasing employment intensity of the economy
- Increasing the responsiveness of infrastructure and addressing competitiveness
- Balancing spatial development of rural areas and poorer provinces
- Reducing the carbon intensity of the economy
- Creating opportunities in changing regional and global environments
- Enabling transformation that benefits a wider range of social actors in society e.g. workers, rural communities, women etc.

Tenderers must submit a Supplier Development Plan (SDP) per proposal, which clearly indicates the following benefits but not limited to:

- Acceleration of localisation and transformation of local business by promoting technology transfer, skill development and job creation
- Focused regional development
- Increase in local content – security of supply, reduced cycle times, reduced exposure to foreign currency and reduction of supply chain costs (over time)
- Transformation of supplier dominance from large international or traditionally white owned business to locally owned and black owned suppliers.

It is Transnet's preference that the following SD criteria form the basis of the SDP that each tenderer is required to complete for the SD pre-qualification. Please refer to T2.2.40 Annexure A, Supplier Development Plan Guideline, to further investigate additional SD criteria's.

Criteria	Description
Job Creation / Preservation	Future skills transfer within the industry, with an emphasis on the accumulation of the knowledge and experience, which will occur as a result of the transaction.
Skills Development	The increase in the number of jobs, by the *Consultant*, as a result of the award of business from Transnet. The number of jobs that are preserved as a result of the award of business is also taken into consideration.
Small Business Promotion	The encouragement of growth and expansion of emerging microenterprises, qualifying small enterprises and start-ups through procurement and support mechanisms provided by the potential *Consultant*.
Capability and Capacity building	Refers specifically to industrial capability building that focuses on value-add activities of the local industry through manufacturing or service-related functions.
Technology transfer/sustainability	Technology improvements are intangible assets with significant economic value. The Service Provider will be measured on its plan to transfer knowledge and IP to contribute towards capability building of the local supply base

The SD Plan will be a binding agreement as per the additional conditions of the contract (Z3.1 – Z3.9) found in the contract data (C1.2)

- **Minimum Supplier Development Threshold:**

Tenderers are also required to meet a minimum Supplier Development Threshold of **60%** for the consolidated **Proposal (entire delivery of project)**. Tenders that don't meet the minimum threshold will be deemed non-responsive. Tenders will be scored on their commitment to Supplier Development as per the criteria below:

Technology Transfer/Sustainability	**SD MEASUREMENT**		**POINTS ALLOCATED**
1.1	Rand value of proposed transfers of Technology and methodologies to local Black owned QSE's,EME's and start-ups against Award of Contract	3	**5**
1.2	Rand value of other technology initiatives (to be further detailed in your SD Bid Document)	2	
Skills development	**SD MEASUREMENT**		**POINTS ALLOCATED**
2.1	Number of Young Black Engineers and other certified accreditation professionals to be trained over the Contract Period	4	**15**
2.2	Number of Black owned QSE'S,EME'S and Start-Ups employee's to be exposed to on the job training	3	
2.3	Number of Bursary's (all inclusive) offered to Black Rural learners per annum over the contract duration	2	
2.4	Number Transnet Graduates (GIT's) to be trained to attain Professional qualifications	3	
2.5	Rand value of other skills development initiatives (to be further detailed in your SD Plan Document)	3	
National/Regional Spend	**SD MEASUREMENT**		**POINTS ALLOCATED**
3.1	Number of Black owned EME's,QSE's and Start-Ups to receive technical training	4	**10**
3.2	Number of Black Owned EME'S,QSE'S and Start-Ups that will be absorbed into the tenderers supply chain over the contract period	3	
3.3	Number of Black Women owned EME's,QSE's and Start-Ups to receive technical training & absorbed into the tender's supply chain	3	

TRANSNET CAPITAL PROJECTS
ENQUIRY NO: TPG CON 002/2014
DESCRIPTION OF SERVICES: EPCM SERVICES FOR FEL 4 OF THE MANGANESE 16MTPA EXPANSION
PROJECT: **NGQURA MANGANESE EXPORT TERMINAL**

Job creation	**SD MEASUREMENT**		**POINTS ALLOCATED**
4.1	Rand value of new skilled jobs to be created for black people due to Award of Contract (Where "skilled" refers to jobs for people in a specialised field of work requiring a defined training path and / or a requisite level of experience in order for them to perform that role. These people could be in possession of a certificate, diploma or degree from a Higher education institution)	4	
4.2	Rand value of new skilled jobs to be created for black women due to Award of Contract (Where "skilled" refers to jobs for people in a specialised field of work requiring a defined training path and / or a requisite level of experience in order for them to perform that role. These people could be in possession of a certificate, diploma or degree from a Higher education institution) Award of Contract.	3	
4.3	Rand value of new unskilled jobs to be created for black people due to Award of Contract (where "unskilled" refers to jobs for people where the field of work does not require extensive formal training or from whom no minimum level of education is required)	3	15
4.4	Rand value of new unskilled jobs to be created for black women due to Award of Contract (where "unskilled" refers to jobs for people where the field of work does not require extensive formal training or from whom no minimum level of education is required)	2	
4.5	Rand value of jobs to be created for Black youth (where "youth" means individuals between the ages of 16 - 35 years)	2	
4.6	Rand value of jobs to be created for Black people living with disabilities through Award of Contract	1	
Small business promotion	**SD MEASUREMENT**		**POINTS ALLOCATED**
5.1	Percentage of contract value to be subcontracted to small emerging black owned EPCM providers	30	
5.2	% of your planned project procurement spend from black owned businesses with an annual turnover of less than R35 million (QSEs, EMEs and start-up companies)	10	45
5.3	Rand value of joint Enterprise Development with Transnet to be offered to black owned EMEs, QSEs and start-up companies	5	
Job preservation	**SD MEASUREMENT**		**POINTS ALLOCATED**
6.1	Rand value of skilled jobs preserved due to the award of contract	4	
6.2	Rand value of unskilled jobs preserved due to the award of contract	3	10
6.3	Rand value of youth jobs preserved due to award of contract	3	

Technical Threshold

Only those tenderers who attain the minimum number of evaluation points of **70** for quality (functionality) are eligible further evaluation.

The quality criteria and maximum score in respect of each of the criteria are as follows:

Functionality/ Quality criteria	**Sub-criteria**		**Maximum number of points**
Approach Paper	**Methodology statement:** Execution strategy(project execution plan) Demonstrate experience with respect to specific aspects of the project, including but not limited to – managing schedule and cost aspects, environmental compliance and reporting, managing construction safety, managing engineering interfaces, quality assurance and control, risk management, procurement and contract management and logistics management	8	**38**
	Health and Safety Policies and Procedures: Health and safety policies and practices which ensure compliance with stated employer's requirements or objectives(i.e. information based on this particular project)	5	
	Demonstrate company experience (past performance) in comparable projects of size and nature(also include a record of references)	5	
	Port/rail interface and design principles	5	
	Port infrastructure design capability	5	
	Port knowledge of maintenance requirements	5	
	Port integrated dynamic simulation taking into account the entire logistics chain	5	
Project Systems and Tools	The tenderer must describe the current employed system or a proposed system that will comply with current Transnet system (e.g. SAP and Primavera) and procedures. The tenderer must also demonstrate the system capability to interact with other systems for the components referred to below:		**12**
	Documentation Management; System and Control	1	
	Programme Management; System and Control(Primavera 6 Version 8.2)	2	
	Cost management: System and Control	2	
	Quality Management: System and Control	2	
	Risk Systems and Management	1	
	Procurement Management; System and Control	2	
	Engineering Management: Tools, System and Control	2	
Staff and Resources	Experience of key individual staff members who will be locally assigned to deliver the scope required including staff qualifications and CV's	10	**16**
	Staff organogram, roles and responsibilities and an illustration of how a 'Core EPCM management team' will manage the execution of the scope of services over the duration of the project to ensure integration	6	

Functionality/ Quality criteria	Sub-criteria		Maximum number of points
Project Organisation and Plan	**Project plan:** Detailed schedule clearly indicating all activities and their sequence including labour histogram and showing input/engagement required from the Employer and other critical External Stakeholders. The plan must further demonstrate how various facilities will be sequenced for construction and commissioning in order to realise an early beneficial occupation per each specific facility ahead of the overall project completion	10	10
Environmental and Sustainability	Previous experience with green port and rail related infrastructure engineering design.	2	10
	Knowledge and experience of environmental resources proposed for deployment to the project team (for interfacing with environmental consultants)	3	
	The tenderer must demonstrate a clear understanding of the Environmental requirements for the FEL 4 and project handover and close-out phases. The Tenderer should provide a high level Environmental Functional Execution Plan indicating how Environmental Management will be applied throughout the FEL4 and project handover and close-out phases as required by the Transnet PLP Processes. The Tenderer should also clearly demonstrate how the principles of environmental management and sustainability will be applied throughout the processes	3	
	The tenderer must explain their own internal environmental management system (EMS) approach and attach his EMS manual, including their own environmental policy. The level of external legitimacy with respect to his EMS (e.g. ISO 14001 Certification) must be covered.	2	
Local Knowledge	Demonstrate through previous experience to have executed projects within South Africa, understanding of the existing governing laws and regulations and the strategy in liaising with external and internal stakeholders including logistical challenges, labour dynamics, etc.	5	5
Quality Management	Demonstrate a logical approach to managing quality. It must clearly link to the communications plan, organisational structure, systems and methodology for executing such services	4	4
Risk Management	Demonstrate and outline measures to evaluate and mitigate the perceived risk elements relating to design, construction, procurement, interfaces and commissioning of the scope taking into account the cost, schedule, quality, health and safety and the environment	5	5
Maximum possible score for quality (Ms)			100

Quality shall be scored by no less than three evaluators in accordance with the following schedules:

- T2.2-3: Evaluation Schedule: Risk Management
- T2.2-7: Evaluation Schedule: Staff and Resources
- T2.2-20: Evaluation Schedule: Quality Management
- T2.2-21: Evaluation Schedule: Environmental and Sustainability
- T2.2-24: Evaluation Schedule: Project Systems and Tools
- T2.2.25: Evaluation Schedule: Project Organisation and Plan
- T2.2-41: Evaluation Schedule: Approach Paper
- T2.2-54: Evaluation Schedule: Local Knowledge

The minimum number of evaluation points for quality is **70**

Each evaluation criteria will be assessed in terms of Six indicators; – failed to address the question / issue; a detrimental response / answer / solution – limited or poor evidence of skill / experience sought or high risk that relevant skills will not be available; less than acceptable – response / answer / solution lacks convincing evidence of skill / experience sought or medium risk that relevant skills will not be available; acceptable response / answer / solution to the particular aspect of the requirements and evidence given of skill / experience sought; above acceptable – response / answer / solution demonstrating real understanding of requirements and evidence of ability to meet it and excellent – response / answer / solution gives real confidence that the tenderer will add real value.no response, poor, satisfactory, good and very good. Scores of 0, 20, 40, 60, 80 or 100 will be allocated as indicated here under. (See CIDB Inform Practice Note #9)

The prompts for judgment and the associated scores used in the evaluation of quality shall be as follows:

Score	Prompt for judgement
0	Failed to address the question / issue
20	A detrimental response / answer / solution – limited or poor evidence of skill / experience sought or high risk that relevant skills will not be available`
40	Less than acceptable – response / answer / solution lacks convincing evidence of skill / experience sought or medium risk that relevant skills will not be available.
60	Acceptable response / answer / solution to the particular aspect of the requirements and evidence given of skill / experience sought
80	Above acceptable – response / answer / solution demonstrating real understanding of requirements and evidence of ability to meet it.
100	Excellent – response / answer / solution gives real confidence that the tenderer will add real value.

The scores of each of the evaluators will be averaged, weighted and then totalled to obtain the final score for quality.

Transnet may decide that if no Bidder pass the SD and /or Functionality threshold, it will reserve the right to lower the threshold by **10%.**

BBBEE and Preferencing System

As referred to in clause F.3.11.3 the 90/10 price/preference points system will be used for evaluation purposes. Points will be awarded to tenderers using the Department on Trade and Industry's balanced scorecard. The application of the Broad Based Black Economic Empowerment recognition levels and score preferencing points are as follows:

Contribution Level	Qualification Points on the generic scorecard	Broad Based BEE Recognition Level	Preferencing points Scored
Level 1	Greater than or equal to 100 points	135%	10
Level 2	Greater than or equal to 85 points but less than 100 points	125%	9
Level 3	Greater than or equal to 75 points but less than 85 points	110%	8

Level 4	Greater than or equal to 65 points but less than 75 points	100%	7
Level 5	Greater than or equal to 55 points but less than 65 points	80%	6
Level 6	Greater than or equal to 45 points but less than 55 points	60%	5
Level 7	Greater than or equal to 40 points but less than 45 points	50%	4
Level 8	Greater than or equal to 30 points but less than 40 points	10%	2
Non-compliant	Less than 30 points	0%	0

Tenderers claiming BBBEE preference points must submit together with the tender document their valid BBBEE verification certificate issued by:

- Accredited verification agencies or verification agencies that are in possession of a valid pre-assessment letter from the South African National Accreditation System (SANAS) or Independent Regulatory Board of Auditors (IRBA).

F.3.13.1 Tender offers will only be accepted if:

a) The tenderer submits **an original** Tax Clearance Certificate issued by the South African Revenue Services or has made arrangements to meet outstanding tax obligations;
b) The tenderer submits a letter of intent from an approved insurer undertaking to provide the Performance Bond to the format included in Part T2.2 of this procurement document
c) The tenderer is registered with the Construction Industry Development Board in an appropriate contractor grading designation;
d) The tenderer or any of its directors/shareholders is not listed on the Register of Tender Defaulters in terms of the Prevention and Combating of Corrupt Activities Act of 2004 as a person prohibited from doing business with the public sector;
e) The tenderer has not:
   I. Abused the Employer's Supply Chain Management System; or
   II. Failed to perform on any previous contract and has been given a written notice to this effect;
f) The tenderer has completed the Compulsory Enterprise Questionnaire and there are no conflicts of interest which may impact on the tenderer's ability to perform the contract in the best interests of the employer or potentially compromise the tender process and persons in the employ of the state are permitted to submit tenders or participate in the contract;
g) The tenderer is registered and in good standing with the compensation fund or with a licensed compensation insurer;

The employer is reasonably satisfied that the tenderer has in terms of the Construction Regulations, 2003, issued in terms of the Occupational Health and Safety Act, 1993, the necessary competencies and resources to carry out the work safely.

F.3.17 The number of paper copies of the signed contract to be provided by the employer is 1 (one).

Please Note: Transnet SOC Ltd wishes to declare that Hatch Goba Pty (Ltd) has developed and completed the FEL 3 study of the 16mtpa Manganese Expansion Project attached hereto in the accompanying Compact Disc of the RFP.

T2.1 List of Returnable Documents

1. Returnable Schedules

T2.2-8	Schedule of proposed Sub-consultants
T2.2-9	Insurance provided by the Consultant
T2.2-14	Authority to submit tender
T2.2-15	Certificate of attendance at tender clarification meeting
T2.2-16	Record of addenda to tender documents
T2.2-17	Compulsory Enterprise Questionnaire
T2.2-18	Form of intent to provide a Performance Bond
T2.2-22	Health and Safety Plan
T2.2-27	Broad-Based Black Economic Empowerment (BBBEE)
T2.2-31	Supplier Code of Conduct
T2.2-33	Mutual Non-Disclosure Agreement
T2.2-36	RFP Declaration Form
T2.2-38	Declaration of Understanding (Environmental and Health & Safety)
T2.2-43	RFP – Breach of Law
T2.2-51	Certificate of Acquaintance with Tender Documents
T2.2-52	B-BBEE Improvement Plan
T2.2-55	Incentive Scheme & Proposal

2. These schedule will be utilised for evaluation purposes

Supplier Development

T2.2-40	Transnet Supplier Development Plan

Quality (Functionality)

T2.2-3	Evaluation Schedule: Risk Management
T2.2-7	Evaluation Schedule: Staff and Resources
T2.2-20	Evaluation Schedule: Quality Management
T2.2-21	Evaluation Schedule: Environmental and Sustainability
T2.2-24	Evaluation Schedule: Project Systems and Tools
T2.2-25	Evaluation Schedule: Project Organisation and Plan
T2.2-41	Evaluation Schedule: Approach Paper
T2.2-54	Evaluation Schedule: Local Knowledge

3. This schedule is required for payment purposes only

T2.2-34 Supplier Declaration Form

4. C1.1 Offer portion of Form of Offer & Acceptance

- Offer 1
- Offer 2

5. C1.2 Contract Data Part 2: Data by *Consultant*

- Offer 1
- Offer 2

6. C1.3 Form of Securities

- Offer 1
- Offer 2

"DS8"

DS8

Rm	Rail	Port
Approved budget initial	1129	832
Contract approval value before negotiations	810	519
DCV before negotiations	1063	687
Surplus after risk allowance	65	144
DCV after negotiations	776	751
Final surplus after risk allowance	97	80
Total saving	177	

DCV for port went up by 64 after negotiations, whereas DCV for rail went down by 287